

1 **SURREBUTTAL TESTIMONY AND EXHIBITS OF**
2 **LANE KOLLEN**
3 **ON BEHALF OF**
4 **THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF**
5 **DOCKET NOS. 2017-207, 305, 370-E**

6 **IN RE: JOINT APPLICATION AND PETITION OF SOUTH CAROLINA**
7 **ELECTRIC & GAS COMPANY AND DOMINION ENERGY,**
8 **INCORPORATED FOR REVIEW AND APPROVAL OF A PROPOSED**
9 **BUSINESS COMBINATION BETWEEN SCANA CORPORATION AND**
10 **DOMINION ENERGY, INCORPORATED, AS MAY BE REQUIRED, AND**
11 **FOR A PRUDENCY DETERMINATION REGARDING THE**
12 **ABANDONMENT OF THE V.C. SUMMER UNITS 2 & 3 PROJECT**
13 **AND ASSOCIATED CUSTOMER BENEFITS AND COST RECOVERY**
14 **PLANS**

15 **I. PURPOSE AND SUMMARY**

16 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.**

17 **A.** My name is Lane Kollen. My business address is J. Kennedy and Associates, Inc. (“Kennedy”), 570 Colonial Park Drive, Suite 305, Roswell, Georgia 30075. I am a Vice President and Principal with Kennedy.

20 **Q. DID YOU FILE DIRECT TESTIMONY AND EXHIBITS IN THIS PROCEEDING?**

21 **A.** Yes. I filed direct testimony and 36 exhibits with the Public Service Commission of South Carolina (“Commission”) on September 24, 2018.

23 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

24 **A.** The purpose of my testimony is to provide updated and revised quantifications of the ORS Optimal Ratepayer Benefits Plan (“ORS Optimal Plan”), including comparisons

1 with the proposed No Merger Benefit Plan (“BP”) and Merger Customer Benefits Plan
2 (“CBP”); reiterate the ORS recommendations for the ratemaking components of the ORS
3 Optimal Plan; provide updated and revised Merger commitments and conditions; and
4 respond to the rebuttal testimony of Dominion Energy, Inc. (“Dominion”) and South
5 Carolina Electric and Gas Company (“SCE&G” or the “Company”) (jointly referred to as
6 the “Applicants”) witnesses on numerous accounting, ratemaking, financing, and Merger
7 commitments and conditions.

8 **Q. PLEASE SUMMARIZE YOUR SURREBUTTAL TESTIMONY.**

9 **A.** If there is no Merger, then I recommend the Commission reduce rates to electric
10 customers by \$158.5 million (from present rates, including experimental rates) in the first
11 billing cycle following the Final Order issued on or before December 21, 2018 in this
12 proceeding, followed by an increase of \$68.2 million¹ in the first billing cycle in 2020 (for
13 a net reduction from present rates, including experimental rates, of \$90.4 million in 2020).

14 If there is a Merger, then I recommend the Commission reduce rates to electric
15 customers by \$193.5 million (from present rates, including experimental rates) in the first
16 billing cycle following the Final Order in this proceeding, followed by an increase of \$33.1
17 million in the first billing cycle in 2020 (for a net reduction from present rates, including
18 experimental rates, of \$160.4 million in 2020).

19 The components of my recommendation are summarized in the following table.²
20 My recommendation is slightly different than in my direct testimony due to the recent
21 SCE&G write-off of certain costs.

¹ The difference in the 2019 and 2020 reduction shown in the table is \$68.1 million instead of \$68.2 million. This is due to rounding in the totals shown in the table.

² ORS Surrebuttal Exhibit LK-1.

SUMMARY OF ORS RATE RECOMMENDATIONS FOR 2019 AND 2020 \$ MILLION		
	2019	2020
Termination of Revised Rates	(445.0)	(445.0)
Termination of Experimental Rates	367.4	367.4
Increase to Recover NND Costs Less Regulatory Liabilities CCR Rider	85.9	85.9
Reduction for TCJA Tax Savings (Base Rates) - Tax Savings Rider	(98.7)	(98.7)
One-Time Refund of TCJA Regulatory Liability	<u>(68.2)</u>	<u>0.0</u>
Net Reduction in Electric Rates If No Merger	<u>(158.5)</u>	<u>(90.4)</u>
Reduction for Merger Savings - Merger Savings Rider	<u>(35.0)</u>	<u>(70.0)</u>
Net Reduction in Electric Rates If Merger	<u>(193.5)</u>	<u>(160.4)</u>

1 The net rate reductions reflect the termination of the existing revised rates and the
 2 termination of the temporary rate reduction reflected in the experimental rates adopted
 3 pursuant to Commission Order No. 2018-460; provide the Company recovery of allowed
 4 new nuclear development (“NND”) abandonment costs less related regulatory liabilities on
 5 a levelized (annuitized) basis over 20 years, including a return that reflects a fixed capital
 6 structure and fixed costs of debt and common equity; recognize the annual income tax
 7 expense savings in base rates due to the Tax Cuts and Jobs Act (“TCJA”) starting in 2019;
 8 and provide a one-time credit/refund for the income tax expense savings due to the TCJA
 9 in 2018 that were subject to deferral as a regulatory liability pursuant to the Commission’s
 10 Order No. 2018-308 in Docket No. 2017-381-A. If there is a Merger, the net rate reductions
 11 also recognize estimated Merger synergy savings starting at \$35 million in 2019 and
 12 growing to \$70 million in 2020.

1 I continue to recommend the Commission direct SCE&G to defer the Base Load
2 Review Act (“BLRA”) transmission revenue requirement, including a long-term debt rate
3 of return, consistent with my recommendation to terminate the revised rates. I reiterate my
4 direct testimony that this deferral approach provides SCE&G sufficient recovery to avoid
5 a write-off of any of the BLRA transmission costs under generally accepted accounting
6 principles and respond to SCE&G witnesses Ms. Nagy and Ms. Griffin, who imply that
7 there could be a write off, but provide no substantive support for this vague and undefined
8 claim.

9 In addition, I respond to SCE&G witnesses Mr. Kochems and Ms. Nagy, who seek
10 to increase recovery in this proceeding if there is no Merger by increasing NND costs for
11 contractor liens that have not been incurred and to increase recovery in a future proceeding
12 regardless of whether there is a Merger by increasing NND costs for sales tax assessments
13 that have not been incurred and are under appeal. I respond to Ms. Nagy, Ms. Griffin, and
14 Dr. Hubbard, who seek to increase the ratemaking recovery in this proceeding by
15 eliminating a regulatory liability for the return on the Toshiba Proceeds regulatory liability
16 from the dates the Toshiba Proceeds were received until rates are reset in this proceeding.
17 I respond to Ms. Nagy and Ms. Griffin, who argue that the income tax savings from the
18 TCJA should be offset in part by increases in other costs since base rates were reset in the
19 last base rates case Docket No. 2012-218-E, which relied on a 2011 test year.

20 I respond to Dr. Hubbard, who now advocates sharing the Toshiba Proceeds
21 between customers and shareholders, a significant change from the Applicants’ proposed
22 rate plans to the extent that it would reduce the \$1.3 billion one-time customer rate credit
23 in the proposed Merger CBP or reduce the Toshiba Proceeds regulatory liability in the

1 proposed No Merger BP. I also respond to Dr. Hubbard regarding the appropriate rate of
2 return to calculate the return on Toshiba Proceeds regulatory liability as well as his
3 comments on the relationship between the return on Toshiba Proceeds regulatory liability
4 and other components of the ORS Optimal Plan or any other rate plan adopted by the
5 Commission.

6 Further, I respond to Dominion witness Mr. Warren, who asserts, for the first time,
7 on behalf of Dominion, that SCE&G will not seek recovery of the incremental Net
8 Operating Loss (“NOL”) Accumulated Deferred Income Tax (“ADIT”) that will result
9 from the proposed \$1.3 billion one-time customer rate credit.³ That is an extremely
10 significant commitment that will benefit customers if the \$1.3 billion one-time customer
11 rate credit is authorized. Although no other Dominion witness affirms this commitment, I
12 nevertheless accept Mr. Warren’s representation and have modified my quantification of
13 the Merger CBP accordingly, describe how the exclusion of this NOL ADIT should be
14 calculated for ratemaking purposes, and added the relevant condition to the comprehensive
15 ORS commitments and conditions.

16 I also respond to Mr. Warren’s calculation to reduce the NOL ADIT (not related to
17 the \$1.3 billion one-time customer rate credit) included in rate base, although neither he
18 nor any Dominion or SCE&G witness indicate their support for this calculation as an
19 alternative to their proposal to include the entirety of the NOL ADIT in rate base. Mr.
20 Warren’s calculation alternative still results in an excessive NOL ADIT and, if adopted,
21 will result in excessive ratemaking recovery of the allowed NND costs. I reiterate the
22 methodology that I describe in my direct testimony. I also respond to Mr. Warren’s claim

³ James Warren Rebuttal Testimony at 15-16.

1 the ORS recommendation could result in a “normalization violation.” This is purely
2 speculative and is not supported by any relevant Internal Revenue Service (“IRS”)
3 guidance. It also is inconsistent with responses to ORS discovery in this proceeding and
4 inconsistent with Mr. Warren’s claim, on behalf of Dominion, that SCE&G will exclude
5 the effects of the incremental NOL ADIT due to the proposed \$1.3 billion one-time
6 customer rate credit. In any event, even if this alleged claim has any merit, the minimum
7 NOL ADIT that would be required is very close to the same NOL ADIT that I recommend
8 under the ORS Optimal Plan.

9 I also respond to Mr. Warren’s comments regarding the utilization period for the
10 NOL ADIT and the amortization period for excess ADIT reflected in my recommendation
11 for a Tax Savings Rider. Although I used 10 years as the utilization period for the NOL
12 ADIT in my quantifications, I note in my exhibit and the related electronic workpapers that
13 this is an estimate, and the actual utilization period will depend on the taxable income of
14 SCE&G, SCANA Corporation (“SCANA”), and Dominion.

15 Finally, I recommend the Commission formally adopt numerous commitments
16 made by the Applicants, as modified by the ORS recommendations, and other conditions
17 that I and other witnesses recommend. Dominion witnesses Mr. Chapman and Mr. Blue
18 argue that none of the ORS recommendations to modify certain commitments and to adopt
19 other conditions are necessary. I disagree. I believe it is necessary to ensure the
20 commitments and conditions are on the record. It will do little good to refer to Dominion
21 and/or SCE&G testimony in this proceeding at some later date if it is necessary for the
22 Commission to enforce these commitments and conditions. I continue to recommend the
23 Commission formally adopt these commitments, as modified by the ORS

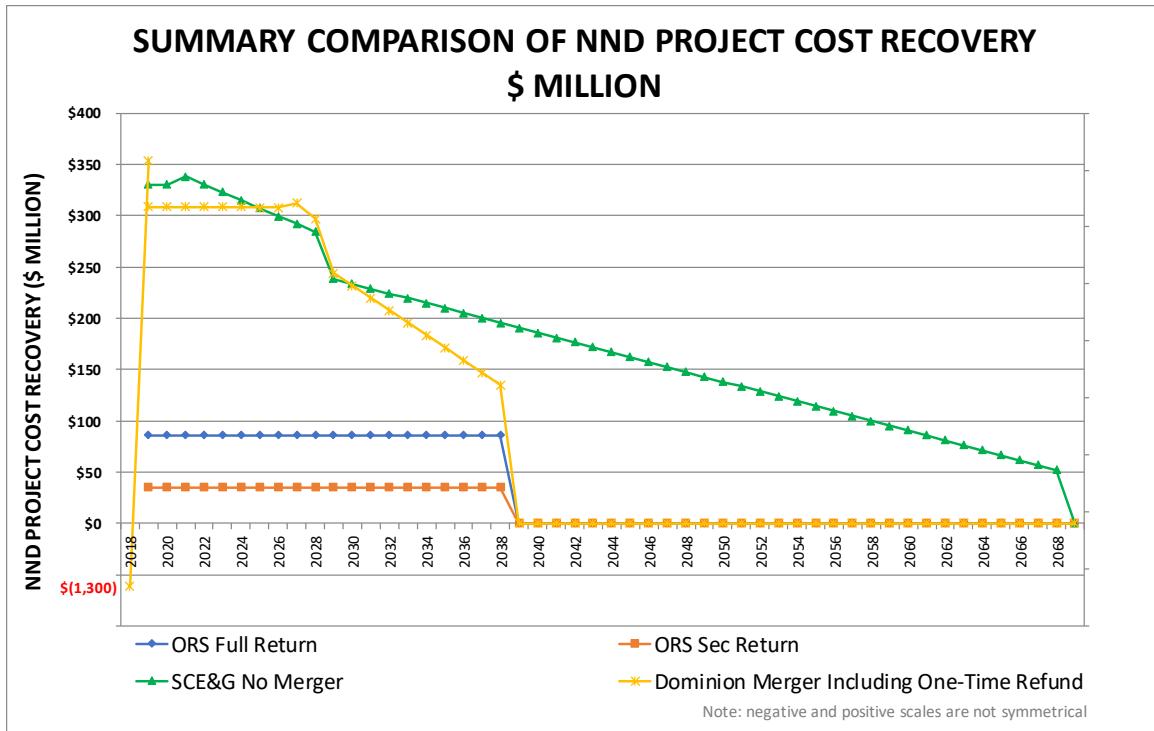
1 recommendations and the other conditions that ORS witnesses recommend. I also note the
2 Applicants and Transcontinental Gas Pipe Line Company, LLC already have agreed to one
3 of these conditions and filed a settlement agreement with the Commission. I provide an
4 updated and revised comprehensive list of these commitments and conditions.

5 **II. CUSTOMER RATE IMPACT OF ORS OPTIMAL PLAN COMPARED TO**
6 **APPLICANTS' NO MERGER BP AND MERGER CBP**

7 **Q. HAVE YOU UPDATED AND REVISED THE CUSTOMER IMPACTS OF THE**
8 **ORS OPTIMAL PLAN COMPARED TO THE APPLICANTS' NO MERGER BP**
9 **AND MERGER CBP?**

10 **A.** Yes. I summarize and compare the ratemaking recovery of the NND cost less
11 related regulatory liabilities for the ORS Optimal Plan, including a return on equity, to the
12 ORS Optimal Plan with a potential debt only securitization financing alternative and to the
13 Applicants' proposed No Merger CP and Merger CBP plans in the following graph.⁴ This
14 is updated and revised from the graph in my direct testimony.

⁴ ORS Surrebuttal Exhibit LK-1 for the ORS Optimal Plan, ORS Surrebuttal Exhibit LK-2 for the ORS Optimal Plan with Securitization at 5%, ORS Surrebuttal Exhibit LK-3 for the ORS Optimal Plan with Securitization at 4%, ORS Surrebuttal Exhibit LK-4 for the Applicants' proposed No Merger BP, and ORS Surrebuttal Exhibit LK-5 for the Applicants proposed Merger CBP.



I provide various metrics to compare the ORS Optimal Plan to a potential securitization financing alternative and to the Applicants' proposed No Merger BP and Merger CBP in the following table. This is updated and revised from the table in my direct testimony.

	SUMMARY COMPARISON OF NND PROJECT COST RECOVERY SOUTH CAROLINA RETAIL \$ MILLION			
	ORS Recommend	ORS Securitiz	SCE&G No Merger	Dom Merger
Net Present Value NND Cost Recovery, incl One-Time Refund	782.8	318.9	2,694.7	1,061.0
Equivalent Levelized Annual NND Cost Recovery Over 20 Years, incl One-Time Refund	85.9	35.0	NA	124.7
Equivalent Levelized Annual NND Cost Recovery Over 50 Years	NA	NA	272.1	NA
Equivalent Levelized Annual NND Cost Recovery Over 20 Year of One-Time Refund	NA	NA	NA	(152.8)
Equivalent Levelized Annual NND Cost Recovery Over 20 Years, excl One-Time Refund	85.9	35.0	NA	277.5

Finally, I provide a comparison of the NND costs, regulatory liabilities, and tax effects to be recovered through amortization expense and the related rate base amounts in

1 the following tables. These are updated and revised from the tables in my direct testimony.

SUMMARY OF RECOVERABLE COSTS AND ANNUAL AMORTIZATION SOUTH CAROLINA RETAIL \$ MILLION				
	ORS Recommend	ORS Securitiz	SCE&G No Merger	Dom Merger
Prudent and Allowed NND Costs	2,683.7	2,683.7	4,023.8	3,138.6
Less: Reg Liab for Toshiba Proceeds	(1,063.6)	(1,063.6)	(981.0)	0.0
Less: Reg Liab for Return on Toshiba Proceeds	(106.4)	(106.4)	0.0	0.0
Less: Reg Liab for Refund of Revised Rates	(392.0)	(392.0)	0.0	(574.9)
Less: Reg Liab for Return on Ref of Revised Rates	(37.3)	(37.3)	0.0	0.0
Less: Reg Liab for Excess Liab ADIT Bef Gross-Up	(180.6)	(180.6)	(404.7)	(417.4)
Less: Reg Liab for Excess Liab ADIT Gross-Up	(60.0)	(60.0)	(134.5)	(138.8)
Add: Reg Asset for Excess Asset NOL ADIT Bef Gross-Up	47.0	47.0	294.8	294.8
Add: Reg Asset for Excess Asset NOL ADIT Gross-Up	15.6	15.6	98.0	98.0
Total Recoverable Costs bef One-Time Refund	906.4	906.4	2,896.3	2,400.3
Annual Amortization of Recoverable Costs bef One-Time Refund	45.3	45.3	57.9	120.0
One-Time Refund				(1,300.0)

2

SUMMARY OF RATE BASE AT DECEMBER 31, 2018 SOUTH CAROLINA RETAIL \$ MILLION				
	ORS Recommend	ORS Securitiz	SCE&G No Merger	Dom Merger
Prudent and Allowed NND Costs	2,683.7	2,683.7	4,023.8	3,138.6
Less: Reg Liab for Toshiba Proceeds	(1,063.6)	(1,063.6)	(981.0)	0.0
Less: Reg Liab for Return on Toshiba Proceeds	(106.4)	(106.4)	0.0	0.0
Less: Reg Liab for Refund of Revised Rates	(392.0)	(392.0)	0.0	0.0
Less: Reg Liab for Return on Ref of Revised Rates	(37.3)	(37.3)	0.0	0.0
Less: Liability ADIT @21%	(256.2)	413.4	(759.2)	(783.1)
Less: Reg Liab for Excess Liab ADIT (Bef Gross-Up)	(180.6)	(180.6)	(404.7)	(417.4)
Add: NOL ADIT @21%	18.0	0.0	503.5	482.9
Add: Reg Asset for Excess Asset NOL ADIT (Bef Gross-Up)	47.0	47.0	294.8	294.8
Total Rate Base	712.7	1,364.2	2,677.2	2,715.8

3

4 Q. PLEASE DESCRIBE THE CHANGES THAT YOU MADE TO THE
5 QUANTIFICATION OF THE ORS OPTIMAL PLAN.

6 A. I increased the Toshiba Proceeds regulatory liability to reflect the recent write-off
7 that SCE&G recently made for the fees and expenses it previously had incurred to monetize

1 the Toshiba Proceeds.⁵ SCE&G previously recorded these fees and expenses as a reduction
2 to the Toshiba Proceeds regulatory liability, so this write-off has the effect of increasing
3 the regulatory liability. The increase in the Toshiba Proceeds regulatory liability reduces
4 the leveled annual CCR revenue requirement under the ORS Optimal Plan.

5 **Q. PLEASE DESCRIBE THE CHANGES THAT YOU MADE TO THE
6 QUANTIFICATIONS OF THE APPLICANTS' PROPOSED NO MERGER BP.**

7 **A.** I increased the Toshiba Proceeds regulatory liability to remove the effects of
8 SCE&G's recent write off of the fees and expenses related to the monetization, the same
9 change that I made to the ORS Optimal Plan quantifications. In addition, I changed the
10 Toshiba Proceeds regulatory liability so that it correctly reflects the jurisdictional
11 allocation.

12 **Q. PLEASE DESCRIBE THE CHANGE THAT YOU MADE TO THE
13 QUANTIFICATION OF THE APPLICANTS' PROPOSED MERGER CBP.**

14 **A.** I incorporated Mr. Warren's commitment, presumably on behalf of Dominion, to
15 exclude the NOL ADIT related to the proposed \$1.3 billion one-time rate credit from the
16 rate base in the CCR and rate base in any other form of ratemaking.⁶

17 **III. RESPONSE TO SCE&G ON RATEMAKING AND FINANCING ISSUES**

18 **Deferral of BLRA Transmission Revenue Requirement (Response to Ms. Nagy, Ms.**
19 **Griffin, Ms. Lapson)**

20 **Q. PLEASE RESPOND TO MS. NAGY'S COMMENTS THAT THERE COULD BE
21 AN IMPAIRMENT DISALLOWANCE UNDER THE ORS RECOMMENDATION**

⁵ Supplemental response to AIR 4-67.

⁶ James Warren Rebuttal Testimony at 15-16.

1 **TO DEFER THE ENTIRE BLRA TRANSMISSION REVENUE REQUIREMENT**
2 **AS A REGULATORY ASSET.⁷**

3 A. Ms. Nagy's comments are extremely vague and should be disregarded. There is no
4 valid basis to conclude there would be an impairment disallowance. She identifies no
5 specific issue that would lead to an impairment disallowance. The ORS recommendation
6 was carefully crafted to include a deferred long-term debt rate of return on the entirety of
7 the BLRA transmission costs, deferral of depreciation and other operating expenses, with
8 no regulatory lag. Under this construct, there is no impairment disallowance under
9 generally accepted accounting principles ("GAAP"). In fact, the recommendation provides
10 the Company authorization to defer the return on BLRA transmission costs incurred since
11 June 30, 2016 and to defer operating expenses that are not recovered presently in revised
12 rates. This recommendation actually provides the Company greater recovery than if it had
13 to suffer regulatory lag for these incremental costs, which would be the case in the absence
14 of the deferral that ORS recommends.

15 Q. **PLEASE RESPOND TO MS. GRIFFIN'S COMMENTS REGARDING THE ORS**
16 **RECOMMENDATION TO DEFER THE BLRA TRANSMISSION COSTS.⁸**

17 A. Ms. Griffin now argues rates should be set to recover all BLRA transmission costs
18 in this proceeding. This is a departure from the Application, wherein the Applicants sought
19 authorization to defer all incremental costs not presently included in revised rates, not
20 recover those costs through a rate increase. To the extent the Applicants still seek the
21 authorization described in their Application, then Ms. Griffin's comments criticizing the
22 ORS recommendation also would apply to the Applicants' proposal.

⁷ Angela Nagy Rebuttal Testimony at 9-10.

⁸ Iris Griffin Rebuttal Testimony at 4-5.

1 **Q. PLEASE RESPOND TO MS. LAPSON'S ASSERTION THAT A DEFERRAL OF**
2 **THE BLRA TRANSMISSION REVENUE REQUIREMENT "WILL RESULT IN**
3 **SEVERE REGULATORY LAG."**

4 **A.** Ms. Lapson is not correct. To the contrary, a deferral will allow the Company to
5 defer and subsequently recover a return on incremental BLRA transmission costs incurred
6 after June 30, 2016 and allow the Company to defer and subsequently recover the
7 depreciation expense and other operating expenses until the date when rates are reset in the
8 next base rate proceeding. Absent this deferral approach, the Company will suffer
9 regulatory lag. The ORS recommendation for deferral of the BLRA transmission revenue
10 requirement is beneficial to the Company, not harmful.

11 **Reduction in Toshiba Proceeds Regulatory Liability for Contractor Liens (Response**
12 **to Mr. Kochems, Ms. Nagy)**

13 **Q. PLEASE RESPOND TO MR. KOCHEMS' CLAIM THAT THE CONTRACTOR**
14 **LIEN PAYMENTS, IF ANY, SHOULD BE USED TO REDUCE THE TOSHIBA**
15 **PROCEEDS REGULATORY LIABILITY.⁹**

16 **A.** The settlement with Toshiba required SCE&G to retain liability for certain
17 contractor lien payments. These liabilities did not arise from the settlement with Toshiba.
18 If SCE&G is held liable for any such payments, they would increase the NND costs, not
19 reduce the Toshiba Proceeds.

20 **Q. PLEASE RESPOND TO MR. KOCHEMS' CLAIM THAT ANY CONTRACTOR**
21 **LIEN PAYMENTS SHOULD BE ADDED TO ALLOWED NND COSTS IF THEY**

⁹ Kevin Kochems Rebuttal Testimony at 5-6.

1 **ARE NOT USED TO REDUCE THE TOSHIBA PROCEEDS REGULATORY**
2 **LIABILITY.¹⁰**

3 **A.** These costs are no different than any other NND costs incurred after September 30,
4 2017. The Company has committed that it will not charge customers for costs incurred
5 after that date and it actually has written off all costs incurred after that date consistent with
6 this commitment.¹¹ The Company did not incur contractor lien costs related to the
7 Westinghouse bankruptcy prior to that date or record an accrual for any such costs. Thus,
8 any such costs could not be adjustments or true-ups to “finalize” contractor lien costs
9 incurred prior to that date. In any event, the ORS recommends disallowance of all NND
10 costs incurred after March 12, 2015.

11 **Q. PLEASE RESPOND TO MS. NAGY'S CLAIM THAT ANY CONTRACTOR**
12 **LIENS PAID IN THE FUTURE WERE INCURRED PRIOR TO SEPTEMBER 30,**
13 **2017, UNDER “ACCRUAL ACCOUNTING.”¹²**

14 **A.** This is fundamentally incorrect and is not an accurate representation of the concept
15 or practice of “accrual” accounting under GAAP. Under accrual accounting, costs
16 cannot be recorded unless and until there is a transaction that establishes a liability
17 to pay for goods or services and the costs are known with certainty or are reasonably
18 estimable. These accrual accounting thresholds were not and have not been met. In
19 fact, no contractor lien costs have been incurred to date. If they had been incurred,
20 they would have been accrued when incurred, not when paid. If SCE&G is held

¹⁰ *Id.*

¹¹ Kevin Kochems Rebuttal Testimony at 3-4.

¹² Angela Nagy Rebuttal Testimony at 3-4.

1 liable for any of these costs, then they will be accrued at that time. The subsequent
2 payment will be recorded when it is made.

3 **Increase in NND Costs for Sales Tax (Response to Mr. Kochems, Ms. Nagy)**

4 **Q. PLEASE RESPOND TO MR. KOCHEMS' CLAIM THAT IF THE SALES TAX
5 CLAIMS ON APPEAL ARE UPHELD, THESE COSTS WILL BE DEEMED TO
6 HAVE BEEN INCURRED PRIOR TO SEPTEMBER 30, 2017 AND ARE VALID
7 NND COSTS SUBJECT TO RECOVERY.¹³**

8 **A.** Fundamentally, the costs were not incurred prior to September 30, 2017, while the
9 project was under construction and have not yet been incurred. If the sales tax costs are
10 incurred, they will not be incurred unless and until the Courts reject the Company's appeal.
11 If the sales tax costs are incurred, they will be triggered by and incurred solely due to the
12 termination of the NND project, not the construction of the project. In any event, the ORS
13 position is that all costs incurred after March 12, 2015 should be disallowed.

14 **Q. PLEASE RESPOND TO MS. NAGY'S CLAIM THE SALES TAX COSTS WERE
15 INCURRED PRIOR TO SEPTEMBER 30, 2017 UNDER "ACCRUAL
16 ACCOUNTING."¹⁴**

17 **A.** This is the same argument that Ms. Nagy makes with respect to contractor liens. It
18 is incorrect and inaccurate for the same reasons it is inaccurate with respect to contractor
19 liens.

¹³ Kevin Kochems Rebuttal Testimony at 4.

¹⁴ Angela Nagy Rebuttal Testimony at 6.

1 **Return on Toshiba Proceeds Regulatory Liability (Response to Ms. Nagy, Ms. Griffin,**
2 **Dr. Hubbard)**

3 **Q. PLEASE RESPOND TO MS. NAGY'S CLAIM THERE SHOULD BE NO RETURN**
4 **ON THE TOSHIBA PROCEEDS REGULATORY LIABILITY BECAUSE THE**
5 **COMPANY DID NOT EARN A RETURN ON THE NND COSTS INCURRED**
6 **AFTER IT TERMINATED CONSTRUCTION.¹⁵**

7 **A.** First, SCE&G was not paid these amounts to cover its financing costs after it
8 terminated construction. The Toshiba Proceeds were the result of settling the Toshiba
9 Parental Guarantee. The settlement required Toshiba to pay SCE&G these amounts
10 regardless of the decision to terminate or continue construction. Second, SCE&G recorded
11 these costs as a regulatory liability in September 2017. That means SCE&G considered
12 them as amounts due and owing to its electric customers. Third, SCE&G had no
13 authorization from the Commission to use the savings from avoided financing as
14 compensation for a rate of return on NND costs that did not earn a return through revised
15 rates or some other manner. Fourth, the fact that some portion of the NND costs earning a
16 return through revised rates was eliminated through the implementation of experimental
17 rates does not justify reinstating a return through retaining the savings from avoided
18 financing.

19 **Q. PLEASE RESPOND TO MS. GRIFFIN'S ASSERTION THE TOSHIBA**
20 **PROCEEDS PERMANENTLY AVOIDED ISSUING LONG-TERM**
21 **FINANCING.¹⁶**

¹⁵ *Id.*, 6-7.

¹⁶ Iris Griffin Rebuttal Testimony at 24-25.

1 **A.** I agree with this assertion. The Toshiba Proceeds allowed SCE&G to avoid issuing
2 permanent financing. The resulting savings in financing costs should have been deferred
3 as a regulatory liability.

4 **Q. PLEASE RESPOND TO MS. GRIFFIN'S CLAIM SCE&G WAS JUSTIFIED IN
5 RETAINING RATHER THAN DEFERRING THE FINANCING SAVINGS
6 BECAUSE IT WAS UNDER-EARNING ITS AUTHORIZED RETURN.¹⁷**

7 **A.** The Commission should reject this argument. The Company has no entitlement to
8 retain the financing cost savings to enhance its earned return. These savings belong to the
9 customers who were paying the return on NND costs through revised rates. The Company
10 never sought, and the Commission never authorized this regulatory treatment.

11 In contrast to SCE&G, Georgia Power Company flowed through the financing cost
12 savings from the proceeds of its settlement with Toshiba to customers rather than retaining
13 them. I described the Georgia Power Company ratemaking in greater detail in my direct
14 testimony.

15 Finally, Ms. Griffin argues a deferral of the savings as a regulatory liability is
16 single-issue ratemaking. The irony of this argument is inescapable in that the recovery of
17 a return on the NND costs is an extreme example of single-issue ratemaking. In any event,
18 the refund of a portion of the NND costs should have resulted in a reduction in the return
19 on the NND costs either contemporaneously, as in the case of Georgia Power Company,
20 or on a deferred basis in the form of a regulatory liability, as I recommend in this
21 proceeding.

¹⁷ *Id.*, 25-26.

1 **Q. PLEASE RESPOND TO DR. HUBBARD'S DISCUSSION REGARDING REVISED**
2 **RATES AND THE RETURN ON THE TOSHIBA PROCEEDS REGULATORY**
3 **LIABILITY.¹⁸**

4 **A.** The revised rates and the return on the Toshiba Proceeds regulatory liability are
5 separate issues arising from different sources and circumstances and should be considered
6 separately. However, I agree the Commission should assess the net effect of its decisions
7 on these and the other issues to ensure that the result is reasonable and equitable to the
8 Company and its customers.

9 **Q. IF THE COMMISSION AGREES WITH SCE&G AND DOES NOT DIRECT THE**
10 **COMPANY TO ESTABLISH A RETURN ON TOSHIBA PROCEEDS**
11 **REGULATORY LIABILITY, THEN SHOULD IT MODIFY THE TOSHIBA**
12 **PROCEEDS REGULATORY LIABILITY?**

13 **A.** Yes. It should increase the Toshiba Proceeds regulatory liability to \$1,192.4
14 million to remove the monetization discount. As I noted in my direct testimony, the
15 monetization discount is a financing cost that reduced the Toshiba Proceeds and the
16 regulatory liability. The monetization discount was \$94.0 million (Toshiba payments over
17 five years of \$1,192.4 million less \$82.5 million received directly from Toshiba less
18 \$1,015.9 million received from Citibank).

19 A critical factor in assessing the reasonableness of the monetization is the “savings”
20 to customers, not the retained savings to SCE&G. If there are no savings to customers,
21 then the monetization was not reasonable, at least not economically. If it was not

¹⁸ Glenn Hubbard Rebuttal Testimony at 50-51.

1 reasonable, then the Toshiba Proceeds regulatory liability should be set equal to the
2 Toshiba Proceeds set forth in the settlement agreement with Toshiba without discount.

3 **Q. PLEASE RESPOND TO DR. HUBBARD'S ARGUMENT THAT IF THE**
4 **COMMISSION CALCULATES A RETURN ON THE TOSHIBA PROCEEDS**
5 **REGULATORY LIABILITY, THEN IT SHOULD USE AN "ECONOMICALLY**
6 **APPROPRIATE" RATE, WHICH HE DEFINES AS "RISK FREE" (SHORT-**
7 **TERM TREASURY) DEBT INTEREST RATE.¹⁹**

8 **A.** The correct return is the Company's actual avoided financing cost, which is the
9 grossed-up cost of capital. In the real world, SCE&G does not finance at a "risk-free"
10 interest rate. This is an academic argument that is not applicable in the actual circumstances
11 of the Toshiba Proceeds.

12 **Toshiba Proceeds Regulatory Liability (Response to Dr. Hubbard)**

13 **Q. PLEASE RESPOND TO DR. HUBBARD'S ARGUMENT CUSTOMERS ARE NOT**
14 **ENTITLED TO THE ENTIRETY OF THE TOSHIBA PROCEEDS AND THE**
15 **REGULATORY LIABILITY SHOULD BE ALLOCATED BETWEEN SCE&G**
16 **SHAREHOLDERS AND CUSTOMERS.²⁰**

17 **A.** It is not clear whether Dr. Hubbard checked with his client before making this
18 recommendation. No other Dominion or SCE&G witness makes or affirms this
19 recommendation. If the Applicants agree with this recommendation, it is a rather shocking
20 and otherwise undisclosed change in their position.

¹⁹ *Id.*, 53-54.

²⁰ Glenn Hubbard Rebuttal Testimony at 47-48.

1 SCE&G recorded the Toshiba Proceeds as a regulatory liability, meaning that it
2 was due and owing to its electric customers. The Toshiba Proceeds still are recorded as a
3 regulatory liability.

4 Further, in their Application in this proceeding, the Applicants state that they will
5 refund the entirety of the Toshiba Proceeds as a component of the one-time customer rate
6 credit under the Merger CBP or over 20 years as a reduction to the recovery of the NND
7 costs under the No Merger BP.

8 Dr. Hubbard's recommendation is completely at odds with these facts.

9 **Income Tax Savings Resulting from TCJA (Response to Ms. Nagy, Ms. Griffin)**

10 **Q. PLEASE RESPOND TO MS. NAGY'S ASSERTION THE ORS METHODOLOGY
11 IS "INEXACT" BASED ON THE INCOME TAX EXPENSE INCLUDED IN
12 PRESENT BASE RATES SET IN DOCKET NO. 2012-218-E AND
13 ESCALATED/DE-ESCALATED USING KWH SALES.²¹**

14 **A.** Ms. Nagy simply assumes that a 2017 test year provides a more accurate calculation
15 of the income tax savings from the TCJA. As I explained in my direct testimony, this is
16 an invalid assumption. The question is properly framed as: what is the income tax expense
17 included in present base rates and what is the effect on that income tax expense from the
18 TCJA? As I described in my direct testimony, the income tax expense included in present
19 rates is known and measurable by reviewing the record in Docket No. 2012-218-E and then
20 escalating/de-escalating the amount by the changes in kWh sales. It is exact.

21 Instead of the ORS "exact" approach, based on the actual income tax expense
22 included in present actual rates, Ms. Nagy argues for an "inexact" approach that provides

²¹ Angela Nagy Rebuttal Testimony at 7-9.

1 SCE&G a rate increase to recover increases in other costs that are unrelated to the income
2 tax expense included in present actual rates. Ms. Nagy and Ms. Griffin would have the
3 Commission conduct a mini-rate case using a 2017 test year, and determine the difference
4 in the revenue requirement with income tax expense using the revenues and costs in that
5 test year at the pre-TCJA income tax rates and at the TCJA income tax rates. The evident
6 problem with this approach is that it allows the Company to use and retain income tax
7 savings from the TCJA to offset increases in other costs without filing a rate case or
8 allowing the Commission to conduct a comprehensive rate review.

9 In addition, Ms. Nagy's argument to use a 2017 test year contradicts the Company's
10 commitment in a letter to the Commission in Docket No. 2017-381-A that it would provide
11 the entire tax savings from the TCJA to customers without offsets for any under-earnings.
12 In that letter, dated January 24, 2018, SCE&G stated: "[i]f the Joint Application [in Docket
13 No. 2018-370-E] is approved and if the proposed merger between those companies is
14 concluded, Dominion has committed that it will pass the full amount of the tax savings
15 arising from the change in tax law irrespective of the effect on SCE&G's ability to earn its
16 allowed returns."

17 **Q. PLEASE RESPOND TO MS. GRIFFIN'S ASSERTION THE ORS CALCULATION
18 OF THE REGULATORY LIABILITY AND ONE-TIME REFUND FOR THE
19 INCOME TAX SAVINGS IN 2018 IS INCORRECT.²²**

20 **A.** I disagree. Ms. Griffin, like Ms. Nagy, argues the Commission should calculate the
21 2018 savings using a 2017 test year instead of calculating the savings based on the income

²² Iris Griffin Rebuttal Testimony at 13.

1 tax expense included in present rates. This is contrary to the direction the Commission
2 provided to electric utilities in Docket No. 2017-381-A.

3 In addition, Ms. Griffin argues the economics of the present two-year rate freeze
4 would not be maintained. Indeed, it is evident the economics would not be maintained.
5 The Company would effectively get a rate increase that would improve its “economics” if
6 the Commission uses a 2017 test year to calculate the income tax savings.

7 **Cost of Long-Term Debt**

8 **Q. PLEASE RESPOND TO MS. GRIFFIN’S ASSERTION THE CURRENT LONG-
9 TERM DEBT INTEREST RATE IS 5.58%, NOT THE 5.56% REFLECTED IN THE
10 ORS OPTIMAL PLAN.²³**

11 **A.** I continue to recommend the Commission use 5.56%. Ms. Griffin did not provide
12 the source of her 5.58%, but I calculated the 5.56% interest rate using information provided
13 by SCE&G in response to ORS discovery.²⁴

14 **IV. RESPONSE TO DOMINION ON TAX ISSUES**

15 **Exclusion of NOL ADIT on \$1.3 Billion One-Time Customer Rate Credits from
16 Ratemaking Recovery**

17 **Q. PLEASE DESCRIBE THE APPLICANTS’ COMMITMENT THAT SCE&G WILL
18 EXCLUDE THE NOL ADIT ON THE \$1.3 BILLION ONE-TIME RATE CREDITS
19 FROM SCE&G’S REVENUE REQUIREMENT.**

20 **A.** Mr. Warren states:

21 Under the Customer Benefits Plan, the payment is funded by shareholders
22 to return amounts previously collected on the NND project. To the extent
23 the \$1.3 billion rate credit generates or adds to SCE&G’s NOLC, that

²³ Iris Griffin Rebuttal Testimony at 12.

²⁴ ORS Surrebuttal Exhibit LK-6.

1 portion of the NOLC-related DTA will be borne solely by shareholders and
2 will not increase the NOLC DTA included in the Capital Cost Rider.²⁵

3 This is a significant commitment that ensures customers will not incur this cost
4 through the CCR rider or in other future ratemaking proceedings. Without this
5 commitment, the NOL ADIT is a cost of the proposed Merger CBP and should be included
6 in the customer impact quantifications, as I did in my direct testimony.

7 **Q. HAS ANY OTHER DOMINION OR SCE&G WITNESS AFFIRMED THIS
8 COMMITMENT?**

9 **A.** No. Nevertheless, the Commission should take this commitment and formally
10 include it in the commitments and conditions. It is important to ensure this NOL ADIT is
11 excluded not only from the recovery of NND costs in the CBP or any alternative
12 ratemaking plan for those costs adopted in this proceeding, but that it also is excluded from
13 the revenue requirement in any other future ratemaking proceeding.

14 **Q. SHOULD THE COMMISSION SPECIFY HOW THE NOL ADIT RELATED TO
15 THE \$1.3 BILLION ONE-TIME CUSTOMER RATE CREDIT BE CALCULATED
16 SO THAT IT IS CORRECTLY EXCLUDED FROM THE MERGER CBP OR ANY
17 ALTERNATIVE PLAN AND IN FUTURE RATEMAKING PROCEEDINGS?**

18 **A.** Yes. The Commission should specify the methodology in this proceeding to avoid
19 future disagreements over the calculation and amount of the NOL ADIT that is to be
20 excluded. More specifically, the Commission should assume the \$1.3 billion is the last
21 deduction each year in the calculation of the NOL ADIT for ratemaking purposes. That
22 means the NOL ADIT caused by all other allowed deductions will be amortized (realized)
23 first and used to reduce the NOL ADIT included in rate base. The sequence should be that

²⁵ James Warren Rebuttal Testimony at 15-16.

1 the allowed NND cost NOL ADIT is amortized (realized first), then the disallowed NND
2 cost NOL ADIT and the \$1.3 billion NOL ADIT. The sequence of the last two is not
3 important for ratemaking purposes if both NOL ADIT amounts are excluded.

4 **Allocation of Asset NOL ADIT to Allowed Abandonment Costs**

5 **Q. PLEASE DESCRIBE THE APPLICANTS' INITIAL PROPOSAL TO INCLUDE
6 THE ASSET NOL ADIT IN RATE BASE IN THE PROPOSED CCR.**

7 **A.** The Applicants initially proposed to include a return on the entire NOL ADIT
8 amount in rate base and an amortization of the excess portion (due to the effects of the
9 TCJA) of the SCE&G asset NOL ADIT in operating expenses until it is fully utilized and
10 reduced to \$0 under both the proposed No-Merger BP and the Merger CBP.

11 **Q. HAVE THE APPLICANTS MODIFIED THEIR PROPOSAL?**

12 **A.** No. However, Mr. Warren has provided a calculation that reduces the NOL ADIT
13 to partially reflect the disallowed NND costs under the NND cost component of the rate
14 base in the proposed Merger CBP.²⁶ It does not appear that Dominion or SCE&G endorse
15 Mr. Warren's calculation, even as an alternative to the Applicants' proposal to include the
16 entirety of the NOL ADIT in the CCR rate base under the Merger CBP.

17 Mr. Warren calculates a reduction in the NOL carryforward to \$1.4 billion from the
18 \$2.0 billion calculated by the Applicants in response to ORS discovery (excluding the
19 effects of the \$1.3 billion one-time customer rate credit).²⁷ This results in a reduction in

²⁶ Mr. Warren does not provide a calculation to reduce the NOL ADIT under the Applicants' proposed No Merger BP, which reflects a lesser disallowance of NND costs than the proposed Merger CBP. His testimony is on behalf of Dominion, not SCE&G, so the Commission should not assume that SCE&G supports such a calculation under the No Merger BP, even if it could be assumed that Dominion does support such a calculation under the Merger CBP.

²⁷ Supplemental response to AIR 1-116.

1 the NOL ADIT to \$550 million from the \$803 million calculated by the Applicants in
2 response to ORS discovery.²⁸

3 **Q. PLEASE DESCRIBE MR. WARREN'S CALCULATION.**

4 **A.** Mr. Warren's calculation assumes the NOL and the NOL ADIT were caused based
5 on the percentage of allowed and disallowed NND costs compared to the total NND costs.
6 He then calculates the percentage of allowed NND costs under the Applicants' Merger
7 CBP to the total NND costs incurred and multiplies it times the estimated NOL
8 carryforward and NOL ADIT at December 31, 2018 to quantify the allowed NOL ADIT.

9 **Q. PLEASE CONTRAST MR. WARREN'S CALCULATION TO THE ORS
10 CALCULATION.**

11 **A.** The ORS calculation assumes the disallowed NND costs under the ORS Optimal
12 Plan were never incurred and never deducted. This increases taxable income and reduces
13 the NOL carryforward by the amount of the disallowed costs "on the margin."

14 **Q. PLEASE EXPLAIN WHY MR. WARREN'S CALCULATION IS
15 FUNDAMENTALLY FLAWED AND OVERSTATES THE NOL ADIT THAT
16 SHOULD BE INCLUDED IN RATE BASE REGARDLESS OF WHETHER
17 THERE IS A MERGER.**

18 **A.** Mr. Warren's calculation improperly allocates a portion of the NOL ADIT caused
19 by the disallowed NND costs to customers for ratemaking purposes. His calculation is
20 flawed because it assumes that the NOL carryforward and the NOL ADIT were caused
21 proportionately by the allowed and disallowed NND costs. They were not.

²⁸ ORS Surrebuttal Exhibit LK-9.

1 The NOL ADIT is not a mirror image of the liability ADIT, which, in fact, was
2 caused proportionately by the allowed and disallowed NND costs. Instead, NOL ADIT is
3 based on taxable income in the year of the abandonment loss deduction and the taxable
4 income in eligible carryback years and in the carryforward years. The NOL ADIT is based
5 on a calculation of taxable income that includes other income and deductions unrelated to
6 the NND costs in 2017, the year of the abandonment loss deduction; a carryback against
7 taxable income in 2016; and a carryforward against taxable income in 2018. In contrast,
8 the liability ADIT is not based on a calculation of taxable income; it is calculated based on
9 the abandonment loss deduction times the combined federal and state income tax rate.

10 The Applicants provided their calculation of the NOL ADIT in response to ORS
11 discovery. I used their calculation as a starting point and corrected it in the manner that I
12 describe in my direct testimony.²⁹ I now have added another column to reflect Mr.
13 Warren's calculation.³⁰

14 Under Mr. Warren's calculation, SCE&G would deduct both the allowed and
15 disallowed NND costs as an abandonment loss in 2017. The taxable income in 2017, 2016,
16 and 2018, would be used to reduce the sum of the allowed and disallowed NND
17 abandonment loss deductions proportionately, not sequentially (allowed NND costs first,
18 then disallowed NND costs) as reflected in the ORS calculation and recommendation.

19 Under the ORS calculation, only the NOL carryforward and the NOL ADIT related
20 to the allowed costs are included for ratemaking purposes.

²⁹ The schedule was provided in my electronic workpapers on the NOL ADIT tab of the Excel workbook.

³⁰ ORS Surrebuttal Exhibit LK-9.

1 Under Mr. Warren's calculation, a portion of the NOL carryforward and the NOL
2 ADIT would be shifted from the disallowed NND costs and improperly allocated to the
3 allowed costs for ratemaking purposes.

4 In short, the Applicants' modified calculation is fundamentally flawed because the
5 NOL ADIT cannot be scaled down in the same manner as the liability ADIT. To the
6 contrary, the disallowed costs represent the last deductions in the calculation of taxable
7 income in 2017. In fact, SCE&G would not have had a net operating loss in 2017, but for
8 the deduction of the NND costs as an abandonment loss.³¹ If the disallowed NND costs
9 had never been incurred or deducted, then the taxable loss in 2017 (NOL) would be less by
10 the amount of the disallowed costs. In other words, the deduction of the disallowed NND
11 costs was "on the margin" and was the direct cause of an increase in the NOL and the NOL
12 ADIT.

13 **Q. PLEASE DESCRIBE MR. WARREN'S CONCERN THE ORS CALCULATION
14 COULD RESULT IN A SO-CALLED "NORMALIZATION VIOLATION."**

15 **A.** Mr. Warren argues that the ORS recommendation could result in a "normalization
16 violation" under the federal tax law based on his interpretation of selected Private Letter
17 Rulings ("PLRs") issued by the IRS to other taxpayers.³² I have reviewed each of the PLRs
18 that he cites. None of these PLRs address an abandonment loss. Thus, as a foundational
19 matter, these PLRs do not provide guidance on the critical issue of whether the
20 abandonment loss or tax depreciation is the last deduction. I also note that a PLR is
21 applicable only to the taxpayer who requests it, and even under those circumstances, the
22 taxpayers who request them are not bound by them. Nevertheless, PLRs can provide

³¹ Response to AIR 7-13. I have attached a copy of this response as ORS Surrebuttal Exhibit LK-7.

³² Mr. Warren listed the PLRs that he relied on in his Surrebuttal Testimony at 14, FN 3.

1 limited guidance on “normalization” and other issues to the extent the factual
2 circumstances recited in the Request for PLR are in fact the same and relevant to the
3 circumstances at hand. Further, I would note Mr. Warren and I long have been active in
4 this specialized area of tax law and the ratemaking implications and applications;
5 sometimes we agree as to the interpretation and application of PLRs, but most often we
6 disagree.

7 Mr. Warren is correct that in the eight PLRs he cites, the IRS has determined if
8 there are NOL carryforwards, the NOL ADIT must be included in rate base, but only to the
9 extent of tax depreciation deductions taken. In other words, the IRS has determined the
10 tax depreciation deduction is deemed to be the last deduction taken in a tax year, and thus,
11 was the cause of any NOL and NOL ADIT arising in that tax year.

12 For example, if taxable income was \$200 million before the tax depreciation
13 deduction and the tax depreciation deduction was \$250 million, the IRS deems the \$50
14 million net operating loss to be caused by the tax depreciation deduction. If the \$50 million
15 cannot be carried back and used against taxable income in prior years, then the NOL
16 carryforward is \$50 million and the NOL ADIT is \$10.5 million (\$50 million times the
17 21% federal income tax rate). This \$10.5 million must be included in rate base if the
18 liability ADIT related to the \$250 million tax depreciation deduction is subtracted from
19 rate base.

20 However, that is not the case in this proceeding. In this proceeding, there is an
21 abandonment loss that clearly was the last deduction. In response to ORS discovery, the
22 Applicants stated that “[t]he Company has considered the NOL ADIT asset as being fully
23 allocable to NND project costs. The Company would not be in an NOL situation but for

1 costs associated with the NND project.”³³ Similarly, Mr. Warren states that “[b]efore
2 considering SCE&G NND-related [research and experimentation and abandonment loss]
3 deductions, SCE&G generated approximately \$300 million of taxable income in 2017.”³⁴

4 The issue with respect to a potential normalization violation revolves solely on
5 whether the abandonment loss is the last or the next to the last deduction in the year of the
6 net operating loss. To my knowledge, there are no PLRs that address whether the
7 abandonment loss is the last or the next to the last deduction for normalization purposes.
8 Given that none of the eight PLRs relied on by Mr. Warren address this circumstance, I am
9 confident there are no PLRs that address whether the abandonment loss is the last or the
10 next to last deduction for normalization purposes or Mr. Warren would have provided that
11 PLR and highlighted it.

12 In the absence of any definitive IRS guidance on the issue, I agree with the
13 Applicants that the abandonment loss was the last deduction in 2017, not the next to the
14 last deduction. On behalf of Dominion, and despite his own assessment that the
15 abandonment loss was the cause of the NOL, Mr. Warren simply assumed for purposes of
16 his calculation and for his alleged normalization violation claim that the abandonment loss
17 was the next to the last deduction without any authoritative support for that proposition.
18 This is an important distinction because there is no normalization violation unless and until
19 the IRS determines that there is a normalization violation. This is also an important
20 distinction because it increases the NOL ADIT that must be included in rate base to avoid
21 a normalization violation if the abandonment loss is the next to the last deduction.

³³ *Id.*

³⁴ Warren Rebuttal Testimony at 10.

1 **Q. DID THE APPLICANTS PREVIOUSLY CITE THIS ALLEGED**
2 **NORMALIZATION CONCERN IN ITS APPLICATION, TESTIMONY, OR**
3 **RESPONSES TO ORS DISCOVERY?**

4 **A.** No. If this had been a significant concern in fashioning the No Merger BP or the
5 Merger CBP, then the Applicants would have cited it as a reason for including the entire
6 NOL ADIT in rate base. They did not. In fact, the Applicants never disclosed their intent
7 to include the entire NOL ADIT in rate base until they were asked directly by ORS in
8 discovery.

9 **Q. IS THIS ALLEGED NORMALIZATION VIOLATION CONCERN CONSISTENT**
10 **WITH THE APPLICANTS' COMMITMENT TO EXCLUDE THE**
11 **INCREMENTAL NOL ADIT RESULTING FROM THE \$1.3 BILLION ONE-**
12 **TIME CUSTOMER RATE CREDIT UNDER THE PROPOSED MERGER CBP?**

13 **A.** No. If Mr. Warren is correct that the tax depreciation is deemed the last deduction
14 in all circumstances, then the \$1.3 billion deduction will be deemed the next to the last
15 deduction against taxable income in 2018 or 2019 when the one-time customer rate credit
16 is made. If Mr. Warren is correct, the NOL will be deemed to be caused by the tax
17 depreciation, and the NOL ADIT related to the \$1.3 billion deduction will have to be
18 included in rate base in order to avoid a normalization violation. Yet, it is Mr. Warren who
19 stated that none of the incremental NOL ADIT due to the \$1.3 billion deduction would be
20 charged to customers. Certainly, Mr. Warren cannot be right on both counts.

21 **Q. IF MR. WARREN'S CONCERN HAS MERIT, THEN WHAT AMOUNT OF NOL**
22 **ADIT WOULD BE REQUIRED IN RATE BASE IF THE DEPRECIATION**
23 **DEDUCTION IS THE LAST DEDUCTION?**

1 **A.** The NOL ADIT required would be approximately \$100 million or less. In 2017,
2 SCE&G had a \$1,045 million tax depreciation deduction. The tax depreciation deduction
3 in 2018 will be substantially less due to the expiration of bonus depreciation in 2017,
4 perhaps less than half of the 2017 deduction. If the 2018 tax depreciation deduction is
5 \$500 million, then the required federal NOL ADIT would be \$105 million (\$500 million
6 times 21% federal income tax rate), only slightly greater than the \$67 million federal and
7 state NOL ADIT recommended by ORS and reflected in the ORS revenue requirement
8 recommendations. This is far less than the Applicants' proposed \$803 million in federal
9 and state NOL ADIT.

10 **Q. WHAT IS YOUR RECOMMENDATION?**

11 **A.** I recommend that the Commission adopt the ORS calculation of the NOL ADIT,
12 which assumes the disallowed costs never were incurred or deducted. There is no
13 authoritative support for the proposition that the IRS would deem the abandonment loss as
14 the next to last deduction. Further, if Dominion, through Mr. Warren, can assure the
15 Commission that none of the NOL ADIT due to the \$1.3 billion one-time customer rate
16 credits will be included in rate base without a normalization violation, then it is reasonable
17 to assume that the ORS calculation of the NOL ADIT included in rate base is sufficient to
18 avoid a normalization violation.

19 **Utilization Period for NOL Carryforward and NOL ADIT**

20 **Q. PLEASE RESPOND TO MR. WARREN'S CLAIM THAT YOU RECOMMEND AN
21 AMORTIZATION ("REALIZATION") OF THE NOL ADIT OVER TEN YEARS.³⁵**

³⁵ James Warren Rebuttal Testimony at 21.

1 **A.** Mr. Warren's claim is incorrect. I do not recommend that the NOL ADIT be
2 amortized (realized) over ten years. Instead, I used ten years as an estimate to quantify the
3 customer impact of the ORS Optimal Plan due to the relatively small size of the NOL
4 ADIT. The NOL ADIT that is amortized or realized in future years is a function of the
5 taxable income in those years and the magnitude of the NOL ADIT. In fact, it is likely that
6 the allowed NOL ADIT will be amortized or realized over a shorter period than the 10
7 years that I reflected in the quantification of the ORS Optimal Plan. I used twenty years to
8 quantify the customer impact of the No Merger BP and Merger CBP due to the significantly
9 greater magnitude of this cost in those two plans.

10 **Amortization Period for Excess ADIT in Tax Savings Rider**

11 **Q. PLEASE RESPOND TO MR. WARREN'S ARGUMENTS TO AMORTIZE THE**
12 **UNPROTECTED PROPERTY-RELATED EXCESS ADIT OVER THE**
13 **REMAINING LIVES OF THE UNDERLYING ASSETS USING THE ARAM**
14 **INSTEAD OF THE FIVE YEARS THAT IT USES FOR OTHER UNPROTECTED**
15 **EXCESS ADIT AND THE FIVE YEARS THAT YOU RECOMMEND FOR THIS**
16 **EXCESS ADIT.³⁶**

17 **A.** The Commission has complete discretion over the amortization period for the
18 unprotected excess ADIT, including the unprotected property-related excess ADIT. The
19 excess ADIT represents amounts that were paid by customers in *prior* years for future
20 income tax payments. Now that those future income tax payments never will be due or
21 paid, the excess ADIT should be returned to the existing customers over a reasonably short
22 time period, not over a long time period. The shorter five-year amortization period would

³⁶ James Warren Rebuttal Testimony at 18-21.

1 ensure generational equity, not the ARAM, which would extend the amortization period
2 from the five years to approximately 30 years.

3 **V. RESPONSE TO DOMINION AND SCE&G ON SECURITIZATION FINANCING**

4 **Q. PLEASE RESPOND TO MS. LAPSON'S CLAIMS THAT SECURITIZATION IS**
5 **NOT A VIABLE OPTION BECAUSE IT WOULD KILL THE VIABILITY OF THE**
6 **MERGER.³⁷**

7 **A.** The primary focus of ORS is the customer impact of the ORS Optimal Plan
8 compared to other plans, including the Applicants' proposed No Merger BP and Merger
9 CBP. If Dominion decides to withdraw the Merger, then securitization financing becomes
10 even more important. The proceeds from a third-party special purpose entity would allow
11 SCE&G to repay SCANA or allow SCANA to avoid issuing significant amounts of equity
12 and to redeem significant amounts of outstanding long-term debt, thus eliminating this
13 financing and the related costs from SCE&G's balance sheet and income statement,
14 respectively. SCE&G would become a billing agent for the third party. The revenues and
15 the remittance of those revenues to the third party typically are excluded from the utility's
16 income statement and the third-party debt is not included in the utility's balance sheet.

17 **Q. PLEASE RESPOND TO MR. CHAPMAN'S CLAIM THAT SECURITIZATION**
18 **WOULD BE A "HIGHLY INEFFICIENT AND . . . IMPRUDENT USE OF**
19 **CAPITAL."**

20 **A.** I disagree. Mr. Chapman simply assumes the securitization proceeds would be used
21 solely to redeem existing long-term debt. That is not correct. The proceeds would be used
22 to repay SCANA for its equity investment in SCE&G and to redeem existing long-term

³⁷ Ellen Lapson Rebuttal Testimony at 39.

1 debt. There is no question that if the cost of securitization debt plus the cost of make whole
2 provisions on existing debt is 4%-5%, which is reasonable based on current market
3 conditions, this will save customers approximately half of the Company's present cost
4 of financing, which is between 9.0% and 10.0%, depending on the return on equity and
5 including the gross-up for income taxes.

6 **Q. PLEASE RESPOND TO MR. CHAPMAN'S CONCERNS REGARDING**
7 **POTENTIAL MARKET CONDITIONS FOR SECURITIZATION FINANCING**
8 **OF ALL ALLOWED NND COSTS.**

9 **A.** These concerns are always present in any financing activity. They are not unique
10 to securitization financing. If the South Carolina legislature passes enabling legislation,
11 then the Company could move forward with securitization financing and address these
12 issues. Until then, the resolution of these typical financing concerns cannot be realistically
13 assessed.

14 **VI. MERGER SAVINGS AND CONDITIONS**

15 **Q. PLEASE RESPOND TO DR. HUBBARD'S ARGUMENTS THE MERGER**
16 **SAVINGS AMOUNTS INCLUDED IN THE ORS OPTIMAL PLAN ARE**
17 **UNRELIABLE.³⁸**

18 **A.** I disagree. The Merger savings proposed are based on directly relevant information
19 from two prior acquisitions by Dominion of East Ohio Gas and Hope Natural Gas and the
20 savings that Dominion achieved. Dr. Hubbard's first argument is that these mergers
21 occurred 18 years ago and that they are irrelevant. Those mergers are directly relevant
22 because they reflect savings actually achieved by Dominion within two years after the

³⁸ Glenn Hubbard Rebuttal Testimony at 57-58.

1 mergers were closed. It does not matter whether the mergers occurred 18 years or 1 year
2 ago.

3 Dr. Hubbard's second argument is that two mergers constitutes a small sample. A
4 small sample does not invalidate the analysis, especially when it is directly relevant to
5 Dominion and its actual experience. In addition, Dominion chose not to perform any
6 studies that could be discoverable in this proceeding. Dominion should not be rewarded
7 for failing to develop or provide an estimate of savings, the very result it sought to achieve
8 by not doing so in this case. I note that in years past, acquiring companies would prepare
9 estimates of merger synergy savings and then offer to share them with the acquired utility's
10 customers.

11 Dr. Hubbard's third argument is that there may have been other causes for the
12 decline in operating expenses post-merger compared to pre-merger. In my experience, that
13 is highly unlikely. Utility operating expenses consistently increase year over year unless
14 there is an intervening event, such as an acquisition or merger that results in synergy
15 savings. Dr. Hubbard goes further to suggest that a decline in sales volume for East Ohio
16 may explain why its operating expenses declined post-merger. Again, this is just
17 speculation, and non-gas or non-fuel operating expenses typically do not increase or
18 decline with changes in volume because those operating expenses are largely fixed. They
19 are comprised largely of payroll and benefits expense, depreciation expense, and other
20 taxes expense, none of which vary with changes in volume or revenues.

21 Finally, Dr. Hubbard speculates the reductions in expense at the two gas utilities
22 could have been offset with increases at Dominion that are not reflected in the gas utilities'
23 operating expenses. That is nonsense. Dominion Energy Services, Inc. charges all its

1 expenses to the Dominion affiliates, including East Ohio Gas and Hope Natural Gas. Thus,
2 the reduction in the gas utilities' operating expenses truly is a net reduction, consisting of
3 reductions in their directly incurred costs offset in part by increases in charges from
4 Dominion Energy Services, Inc.

5 **Q. DO YOU HAVE ANY ADDITIONS TO THE ORS MERGER COMMITMENTS
6 AND CONDITIONS ADDRESSED IN YOUR DIRECT TESTIMONY AND
7 REFLECTED IN ORS EXHIBIT LK-26?**

8 **A.** Yes. I have updated and revised the ORS Ratemaking Commitments and
9 Conditions to include the recently stated commitments by the Applicants that SCE&G will
10 not seek to include the NOL ADIT related to the proposed \$1.3 billion one-time rate credit
11 in the CCR rate base or any other future ratemaking proceedings. I also have updated and
12 revised the Ratemaking Conditions to include the methodology necessary to correctly
13 quantify the NOL ADIT related to the \$1.3 billion one-time rate credit.

14 In addition to these changes, I have added the two conditions addressed by ORS
15 witness Mr. Michael Seaman-Huynh in supplemental direct testimony. The first is to
16 provide Merger synergy savings to SCE&G natural gas customers equivalent to the bill
17 credit per customer agreed to by the Applicants and other parties for Public Service
18 Company of North Carolina, Inc. customers in the Merger proceeding before the North
19 Carolina Public Utility Commission ("NCUC"). The second is to add a "most favored"
20 nations clause to ensure that SCE&G customers receive equivalent or greater Merger
21 benefits, other ratemaking benefits, and other commitments and conditions compared to
22 those offered or ordered by the NCUC or other regulators.

1 **Q. PLEASE RESPOND TO MR. CHAPMAN'S AND MR. BLUE'S CLAIMS THAT**
2 **THE MODIFICATIONS TO THE APPLICANTS' COMMITMENTS AND THE**
3 **ADDITIONAL CONDITIONS THAT YOU AND OTHER ORS WITNESSES**
4 **RECOMMEND ARE NOT NECESSARY.**

5 **A.** I disagree. It is necessary to ensure that the commitments and conditions are on
6 the record, including those that clarify or expand on the Applicants stated commitments,
7 and those that address ratemaking issues and specific calculations for use in this proceeding
8 and future ratemaking proceedings. It does little good to refer to Dominion and/or SCE&G
9 testimony in this proceeding at some later date if it is necessary for the Commission to
10 enforce these commitments and conditions, especially when those testimonies do not
11 clearly state the commitments, include other conditions, or specify calculations for
12 ratemaking purposes.

13 I continue to recommend that the Commission formally adopt these commitments,
14 as modified by the ORS recommendations and the other conditions that ORS witnesses
15 recommend.

16 I have updated and revised the comprehensive list of ORS commitments and
17 conditions to include additional conditions that I and other ORS witnesses address in
18 supplemental direct testimony and rebuttal testimony, including specific calculations for
19 use in this proceeding and future ratemaking proceedings.³⁹

20 **Q. WILL YOU UPDATE YOUR TESTIMONY BASED ON INFORMATION THAT**
21 **BECOMES AVAILABLE?**

³⁹ ORS Surrebuttal Exhibit LK-8

1 **A.** Yes. ORS fully reserves the right to revise its recommendations via supplemental
2 testimony should new information become available not previously provided by the
3 Applicants, or from pending state and federal investigations and lawsuits.

4 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

5 **A.** Yes, it does.

**Office of Regulatory Staff
LANE KOLLEN
SURREBUTTAL EXHIBIT LIST**

**South Carolina Electric & Gas Company and Dominion Energy, Inc.
*Docket No. 2017-207, 305, 370-E***

EXHIBIT NUMBER	DESCRIPTION
LK-1	Surrebuttal Tab ORS Level NND From Electronic WP
LK-2	Surrebuttal Tab ORS Securitization From Electronic WP 5.00%
LK-3	Surrebuttal Tab ORS Securitization From Electronic WP 4.00%
LK-4	Surrebuttal Tab SCE&G No Merger From Electronic WP
LK-5	Surrebuttal Tab Dominion Merger From Electronic WP
LK-6	5.56% Debt Rate Calculation
LK-7	Response to AIR 7-13
LK-8	Merger Commitments and Conditions - ORS
LK-9	Calculation of NOL ADIT

SOUTH CAROLINA ELECTRIC & GAS COMPANY
LEVELIZED RECOVERY OF ALLOWED NEW NUCLEAR DEVELOPMENT COSTS
LESS RELATED REGULATORY LIABILITIES
ORS RECOMMENDATIONS
(\$ THOUSANDS)

ORS SURREBUTTAL EXHIBIT LK-1
Page 1 of 6

Allowed NND Costs Before Transfers, Sales and Other Reductions (Total Company)	\$2,865,680	Kelvin
ORS CWP Adjustments (not including transfers), (Total Company)	(\$19,944)	Kelvin
Transfers to Unit 1 and Trans. (Total Company)	(\$74,130)	Kelvin
Toshiba Proceeds Offset to NND Costs (Total Company)		
NOL ADIT on Allowed NND Costs @ 21% (Total Company)	\$18,635	
Excess NOL ADIT on Allowed NND Costs (Total Company)	\$48,504	
Prior Combined Federal and State Income Tax Rate %	38.25%	
Present Combined Federal and State Income Tax Rate %	24.95%	
Amort Period (Years) for Allowed NND Costs, Reg Liab, Liab ADIT, Excess NOL ADIT	20	
Amortization Period (Years) for NOL ADIT @ 21%	2019	
Amortization Start Year	52.81%	
Equity Capitalization %	9.10%	
Equity Return %	47.19%	
Debt Capitalization %	5.56%	
Debt Return %	1.6194	
Prior Gross-Up Factor	1.3324	
Present Gross-Up Factor	96.83%	Michael

South Carolina Retail

	2018	2019	2020	2021	2022	2023	2024	2025	2026
Regulatory Asset for NND Costs									
Less: Accumulated Amortization of NND Costs									
Less: ADIT on NND Costs									
Regulatory Liability for Toshiba Proceeds									
Add: Accumulated Amortization of Reg Liab for Return of Toshiba Proceeds									
Add: ADIT on Reg Liab for Return of Toshiba Proceeds									
Regulatory Liability for Return on Toshiba Proceeds									
Add: Accumulated Amortization of Reg Liab for Return on Toshiba Proceeds									
Add: ADIT on Reg Liab for Return on Toshiba Proceeds									
Regulatory Liability for Refund of Revised Rates on Disallowed NND Costs									
Add: Accumulated Amortization of Reg Liab for Refund of Rev Rates									
Add: ADIT on Reg Liab for Refund of Rev Rates									
Regulatory Liability for Return on Refund of Revised Rates									
Add: Accumulated Amortization of Reg Liab for Ret on Ref of Rev Rates									
Add: ADIT on Ret on Ref of Rev Rates									
NOL ADIT @ 21%									
Excess NOL ADIT									
Total Rate Base End of Year									
Total Rate Base Average Year									
Grossed Up Rate of Return									
Return on Total Rate Base Average Year									

9.03%	9.03%	9.03%	9.03%	9.03%	9.03%	9.03%	9.03%	9.03%
62,677	59,380	56,082	52,784	49,486	46,189	42,891	39,593	

SOUTH CAROLINA ELECTRIC & GAS COMPANY
LEVELIZED RECOVERY OF ALLOWED NEW NUCLEAR DEVELOPMENT COSTS
LESS RELATED REGULATORY LIABILITIES
ORS RECOMMENDATIONS
(\$ THOUSANDS)

ORS SURREBUTTAL EXHIBIT LK-1
Page 2 of 6

	2018	2019	2020	2021	2022	2023	2024	2025	2026
South Carolina Retail									
Amortization Expense - NND Regulatory Asset	134,187	134,187	134,187	134,187	134,187	134,187	134,187	134,187	134,187
Amortization Expense - Toshiba Proceeds Regulatory Liability	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)
Amortization Expense - Return on Toshiba Proceeds Regulatory Liability	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)
Amortization Expense - Refund of Disallowed Rates on Reg Liability	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)
Amortization Expense - Refund of Revised Rates Reg Liability	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)
Amortization Expense - Excess NOL ADIT (Grossed-Up to Revenue Equiv)	3,129	3,129	3,129	3,129	3,129	3,129	3,129	3,129	3,129
Total Amortization Expense	45,321	45,321	45,321	45,321	45,321	45,321	45,321	45,321	45,321
Return Of and On Revenue Requirement									
NPV of Revenue Requirement	99,058	88,083	78,246	69,434	61,545	54,486	48,175	42,534	
Levelized Revenue Requirement	85,911	85,911	85,911	85,911	85,911	85,911	85,911	85,911	
NPV of Revenue Requirement - Check	78,799	72,275	66,292	60,804	55,770	51,153	46,918	43,034	

Allowed NND Costs Before Transfers, Sales and Other Reductions (Total Company)	\$2,865,680	Kelvin
ORS CWP Adjustments (not including transfers) (Total Company)	(\$19,944)	Kelvin
Transfers to Unit 1 and Trans. (Total Company)	(\$74,130)	Kelvin
Toshiba Proceeds Offset to NND Costs (Total Company)	(\$1,098,391)	Note: no reduction for estimated lien payments
NOL ADIT on Allowed NND Costs @ 21% (Total Company)	\$18,635	
Excess NOL ADIT on Allowed NND Costs (Total Company)	\$48,504	
Prior Combined Federal and State Income Tax Rate %	38.25%	
Present Combined Federal and State Income Tax Rate %	24.95%	
Amort Period (Years) for Allowed NND Costs, Reg Liab, Liab ADIT, Excess NOL ADIT	20	
Amortization Period (Years) for NOL ADIT @ 21%	2019	
Amortization Start Year	52.81%	
Equity Capitalization %	9.10%	
Debt Capitalization %	47.19%	
Debt Return %	5.56%	
Prior Gross-Up Factor	1.6194	
Present Gross-Up Factor	1.3324	
SC Retail Allocation Factor	96.83%	Michael

	2018	2019	2020	2021	2022	2023	2024	2025	2026
10 Note: estimate; actual amortization will be based on taxable income of SCE&G, SCANA, and/or Dominion									
Amortization Expense - NND Regulatory Asset	134,187	134,187	134,187	134,187	134,187	134,187	134,187	134,187	134,187
Amortization Expense - Toshiba Proceeds Regulatory Liability	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)
Amortization Expense - Return on Toshiba Proceeds Regulatory Liability	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)
Amortization Expense - Refund of Disallowed Rates on Reg Liability	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)
Amortization Expense - Refund of Revised Rates Reg Liability	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)
Amortization Expense - Excess NOL ADIT (Grossed-Up to Revenue Equiv)	3,129	3,129	3,129	3,129	3,129	3,129	3,129	3,129	3,129
Total Amortization Expense	45,321	45,321	45,321	45,321	45,321	45,321	45,321	45,321	45,321
99									
Return Of and On Revenue Requirement	107,999	104,701	101,403	98,105	94,808	91,510	88,212	84,914	
NPV of Revenue Requirement	99,058	88,083	78,246	69,434	61,545	54,486	48,175	42,534	
Levelized Revenue Requirement	85,911	85,911	85,911	85,911	85,911	85,911	85,911	85,911	
NPV of Revenue Requirement - Check	78,799	72,275	66,292	60,804	55,770	51,153	46,918	43,034	

SOUTH CAROLINA ELECTRIC & GAS COMPANY
LEVELIZED RECOVERY OF ALLOWED NEW NUCLEAR DEVELOPMENT COSTS
LESS RELATED REGULATORY LIABILITIES
ORS RECOMMENDATIONS
(\\$ THOUSANDS)

ORS SURREBUTTAL EXHIBIT LK-1
Page 3 of 6

Allowed NND Costs Before Transfers, Sales and Other Reductions (Total Company)	\$2,865,680
ORS CWP Adjustments (not including transfers) (Total Company)	(\$19,944)
Transfers to Unit 1 and Trans. (Total Company)	(\$74,130)
Toshiba Proceeds Offset to NND Costs (Total Company)	(\$1,098,391)
NOL ADIT on Allowed NND Costs (Total Company)	\$18,635
Excess NOL ADIT on Allowed NND Costs (Total Company)	\$48,504
Prior Combined Federal and State Income Tax Rate %	38.25%
Present Combined Federal and State Income Tax Rate %	24.95%
Amort Period (Years) for Allowed NND Costs, Reg Liab, Liab ADIT, Excess NOL ADIT	20
Amortization Period (Years) for NOL ADIT @ 21%	10
Amortization Start Year	2019
Equity Capitalization %	52.81%
Equity Return %	9.10%
Debt Capitalization %	47.19%
Debt Return %	5.56%
Prior Gross-Up Factor	1.6194
Present Gross-Up Factor	1.3324
SC Retail Allocation Factor	96.83%

South Carolina Retail

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Regulatory Asset for NND Costs	2,683,746	2,683,746	2,683,746	2,683,746	2,683,746	2,683,746	2,683,746	2,683,746	2,683,746	2,683,746
Less: Accumulated Amortization of NND Costs	(1,207,686)	(1,341,873)	(1,476,060)	(1,610,248)	(1,744,435)	(1,878,622)	(2,012,810)	(2,146,997)	(2,281,184)	(2,415,371)
Less: ADIT on NND Costs	(564,593)	(513,266)	(461,940)	(410,613)	(359,287)	(307,960)	(256,633)	(205,307)	(153,980)	(102,653)
Regulatory Liability for Toshiba Proceeds	(1,063,572)	(1,063,572)	(1,063,572)	(1,063,572)	(1,063,572)	(1,063,572)	(1,063,572)	(1,063,572)	(1,063,572)	(1,063,572)
Add: Accumulated Amortization of Reg Liab for Return of Toshiba Proceeds	478,607	531,786	584,965	638,143	691,322	744,500	797,679	850,858	904,036	957,215
Add: ADIT on Reg Liab for Return of Toshiba Proceeds	223,749	203,408	183,067	162,727	142,386	122,045	101,704	81,363	61,022	40,682
Regulatory Liability for Return on Toshiba Proceeds	(\$106,446)	(\$106,446)	(\$106,446)	(\$106,446)	(\$106,446)	(\$106,446)	(\$106,446)	(\$106,446)	(\$106,446)	(\$106,446)
Add: Accumulated Amortization of Reg Liab for Return on Toshiba Proceeds	47,901	53,223	58,546	63,868	69,190	74,512	79,835	85,157	90,479	95,802
Add: ADIT on Reg Liab for Return on Toshiba Proceeds	22,394	20,358	18,322	16,286	14,251	12,215	10,179	8,143	6,107	4,072
Regulatory Liability for Refund of Revised Rates on Disallowed NND Costs	(\$391,980)	(\$391,980)	(\$391,980)	(\$391,980)	(\$391,980)	(\$391,980)	(\$391,980)	(\$391,980)	(\$391,980)	(\$391,980)
Add: Accumulated Amortization of Reg Liab for Refund of Rev Rates	176,391	195,990	215,589	235,188	254,787	274,386	293,985	313,584	333,183	332,782
Add: ADIT on Reg Liab for Refund of Rev Rates	72,391	65,810	59,229	52,648	46,067	39,486	32,905	26,324	19,743	13,162
Regulatory Liability for Return on Refund of Revised Rates	(\$37,264)	(\$37,264)	(\$37,264)	(\$37,264)	(\$37,264)	(\$37,264)	(\$37,264)	(\$37,264)	(\$37,264)	(\$37,264)
Add: Accumulated Amortization of Reg Liab for Ret on Ref of Rev Rates	16,769	18,632	20,495	22,358	24,221	26,085	27,948	29,811	31,674	33,537
Add: ADIT on Reg Liab for Ret on Refund of Rev Rates	5,810	5,281	4,753	4,225	3,697	3,169	2,641	2,113	1,584	1,056
NOL ADIT @ 21%	1,804	0								
Excess NOL ADIT	25,831	23,483	21,135	18,786	16,438	14,090	11,741	9,393	7,045	4,697
Total Rate Base End of Year	383,851	347,316	312,584	277,852	243,121	208,389	173,658	138,926	104,195	69,463
Total Rate Base Average Year	402,119	365,583	329,950	295,218	260,487	225,755	191,024	156,292	121,560	86,829
Grossed Up Rate of Return	9.03%	9.03%	9.03%	9.03%	9.03%	9.03%	9.03%	9.03%	9.03%	9.03%
Return on Total Rate Base Average Year	36,295	32,998	29,781	26,646	23,512	20,377	17,242	14,107	10,972	7,837

ELECTRONICALLY FILED - 2018 October 29 3:34 PM - SCPSC - Document # 2017-370-E - Page 41 of 92

SOUTH CAROLINA ELECTRIC & GAS COMPANY
LEVELIZED RECOVERY OF ALLOWED NEW NUCLEAR DEVELOPMENT COSTS
LESS RELATED REGULATORY LIABILITIES
ORS RECOMMENDATIONS
(\$ THOUSANDS)

ORS SURREBUTTAL EXHIBIT LK-1
Page 4 of 6

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
South Carolina Retail										
Amortization Expense - NND Costs Before Transfers, Sales and Other Reductions (Total Company)	134,187	134,187	134,187	134,187	134,187	134,187	134,187	134,187	134,187	134,187
ORS CWP Adjustments (not including transfers) (Total Company)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)
Transfers to Unit 1 and Trans. (Total Company)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)
Toshiba Proceeds Offset to NND Costs (Total Company)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)
NOL ADIT on Allowed NND Costs @ 21% (Total Company)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)
Excess NOL ADIT on Allowed NND Costs (Total Company)	3,129	3,129	3,129	3,129	3,129	3,129	3,129	3,129	3,129	3,129
Prior Combined Federal and State Income Tax Rate %	24.95%	24.95%	24.95%	24.95%	24.95%	24.95%	24.95%	24.95%	24.95%	24.95%
Present Combined Federal and State Income Tax Rate %	20	10	10	10	10	10	10	10	10	10
Amort Period (Years) for Allowed NND Costs, Reg Liab, Liab ADIT, Excess NOL ADIT	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019
Amortization Period (Years) for NOL ADIT @ 21%	10	10	10	10	10	10	10	10	10	10
Amortization Start Year	52.81%	52.81%	52.81%	52.81%	52.81%	52.81%	52.81%	52.81%	52.81%	52.81%
Equity Capitalization %	9.10%	9.10%	9.10%	9.10%	9.10%	9.10%	9.10%	9.10%	9.10%	9.10%
Equity Return %	47.19%	47.19%	47.19%	47.19%	47.19%	47.19%	47.19%	47.19%	47.19%	47.19%
Debt Capitalization %	5.56%	5.56%	5.56%	5.56%	5.56%	5.56%	5.56%	5.56%	5.56%	5.56%
Debt Return %	1.6194	1.6194	1.6194	1.6194	1.6194	1.6194	1.6194	1.6194	1.6194	1.6194
Prior Gross-Up Factor	1.3324	1.3324	1.3324	1.3324	1.3324	1.3324	1.3324	1.3324	1.3324	1.3324
Present Gross-Up Factor	96.83%	96.83%	96.83%	96.83%	96.83%	96.83%	96.83%	96.83%	96.83%	96.83%

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
South Carolina Retail										
Amortization Expense - NND Regulatory Asset	134,187	134,187	134,187	134,187	134,187	134,187	134,187	134,187	134,187	134,187
Amortization Expense - Toshiba Proceeds Regulatory Liability	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)
Amortization Expense - Return on Toshiba Proceeds Regulatory Liability	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)
Amortization Expense - Refund of Disallowed Rates on Disallowed Costs Reg Liability	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)
Amortization Expense - Refund of Revised Rates Reg Liability	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)
Amortization Expense - Excess NOL ADIT (Grossed-Up to Revenue Equiv)	3,129	3,129	3,129	3,129	3,129	3,129	3,129	3,129	3,129	3,129
Amortization Expense - Excess Liability ADIT (Grossed-Up to Revenue Equiv)	(12,032)	(12,032)	(12,032)	(12,032)	(12,032)	(12,032)	(12,032)	(12,032)	(12,032)	(12,032)
Total Amortization Expense	45,321	45,321	45,321	45,321	45,321	45,321	45,321	45,321	45,321	45,321
Return Of and On Revenue Requirement	81,617	78,319	75,103	71,968	68,833	65,698	62,563	59,428	56,293	53,159
NPV of Revenue Requirement	37,498	33,004	29,028	25,514	22,382	19,594	17,115	14,911	12,955	11,221
Levelized Revenue Requirement	85,911	85,911	85,911	85,911	85,911	85,911	85,911	85,911	85,911	85,911
NPV of Revenue Requirement - Check	39,471	36,203	33,206	30,457	27,936	25,623	23,502	21,556	19,771	18,135

SOUTH CAROLINA ELECTRIC & GAS COMPANY
LEVELIZED RECOVERY OF ALLOWED NEW NUCLEAR DEVELOPMENT COSTS
LESS RELATED REGULATORY LIABILITIES
ORS RECOMMENDATIONS
(\$ THOUSANDS)

ORS SURREBUTTAL EXHIBIT LK-1
Page 5 of 6

		2037	2038	Total
	South Carolina Retail			
Regulatory Asset for NND Costs		2,683,746	2,683,746	
Less: Accumulated Amortization of NND Costs		(2,549,559)	(2,683,746)	
Less: ADIT on NND Costs		(51,327)	(0)	
Regulatory Liability for Toshiba Proceeds		(1,063,572)	(1,063,572)	
Add: Accumulated Amortization of Reg Liab for Return of Toshiba Proceeds		1,010,393	1,063,572	
Add: ADIT on Reg Liab for Return of Toshiba Proceeds		20,341	(0)	
Regulatory Liability for Return on Toshiba Proceeds		(\$106,446)	(\$106,446)	
Add: Accumulated Amortization of Reg Liab for Return on Toshiba Proceeds		101,124	106,446	
Add: ADIT on Reg Liab for Return on Toshiba Proceeds		2,036	(0)	
Regulatory Liability for Refund of Revised Rates on Disallowed NND Costs		(\$391,980)	(\$391,980)	
Add: Accumulated Amortization of Reg Liab for Refund of Rev Rates		372,381	391,980	
Add: ADIT on Reg Liab for Refund of Rev Rates		6,581	0	
Regulatory Liability for Return on Refund of Revised Rates		(\$37,264)	(\$37,264)	
Add: Accumulated Amortization of Reg Liab for Ret on Ref of Rev Rates		35,400	37,264	
Add: ADIT on Reg Liab for Ret on Refund of Rev Rates		528	(0)	
NOL ADIT @ 21%				
Excess NOL ADIT		2,348	0	
Total Rate Base Average Year		52,097	17,366	
Total Rate Base End of Year		34,732	(0)	
Grossed Up Rate of Return		9.03%	9.03%	
Return on Total Rate Base Average Year		4,702	1,567	635,118

ELCTRONICALLY FILED - 2018 October 29 3:4 PM - SCPSC - Document # 2017-370-E - Page 43 of 92

SOUTH CAROLINA ELECTRIC & GAS COMPANY
LEVELIZED RECOVERY OF ALLOWED NEW NUCLEAR DEVELOPMENT COSTS
LESS RELATED REGULATORY LIABILITIES
ORS RECOMMENDATIONS
(\$ THOUSANDS)

ORS SURREBUTTAL EXHIBIT LK-1
Page 6 of 6

	South Carolina Retail	2037	2038	Total
Amortization Expense - NND Regulatory Asset		134,187	134,187	2,683,746
Amortization Expense - Toshiba Proceeds Regulatory Liability		(53,179)	(53,179)	(1,063,572)
Amortization Expense - Return on Toshiba Proceeds Regulatory Liability		(5,322)	(5,322)	(106,446)
Amortization Expense - Refund of Disallowed Rates on Disallowed Costs Reg Liability		(19,599)	(19,599)	(391,980)
Amortization Expense - Refund of Revised Rates Reg Liability		(1,863)	(1,863)	(37,264)
Amortization Expense - Excess NOL ADIT (Grossed-Up to Revenue Equiv)		3,129	3,129	62,580
Amortization Expense - Excess Liability ADIT (Grossed-Up to Revenue Equiv)		(12,032)	(12,032)	(240,635)
Total Amortization Expense		<u>45,321</u>	<u>45,321</u>	<u>906,428</u>
Return Of and On Revenue Requirement		<u>50,024</u>	<u>46,889</u>	<u>1,541,546</u>
NPV of Revenue Requirement		<u>9,685</u>	<u>8,327</u>	<u>782,795</u>
Levelized Revenue Requirement		<u>85,911</u>	<u>85,911</u>	<u>1,718,229</u>
NPV of Revenue Requirement - Check		<u>16,633</u>	<u>15,256</u>	<u>782,795</u>

SOUTH CAROLINA ELECTRIC & GAS COMPANY
LEVELIZED RECOVERY OF ALLOWED NEW NUCLEAR DEVELOPMENT COSTS
LESS RELATED REGULATORY LIABILITIES
ORS RECOMMENDATIONS
(\\$ THOUSANDS)

ORS SURREBUTTAL EXHIBIT LK-2
Page 1 of 9

Allowed NND Costs Before Transfers, Sales and Other Reductions (Total Company)	\$2,865,680
ORS CWP Adjustments (not including transfers), (Total Company)	(\$19,944)
Transfers to Unit 1 and Trans. (Total Company)	(\$74,130)
Toshiba Proceeds Offset to NND Costs (Total Company)	(\$1,098,391) Note: no reduction for estimated lien payments
NOL ADIT on Allowed NND Costs @ 21% (Total Company)	\$0
Excess NOL ADIT on Allowed NND Costs (Total Company)	\$48,504
Prior Combined Federal and State Income Tax Rate %	38.25%
Present Combined Federal and State Income Tax Rate %	24.95%
Amort Period (Years) for Allowed NND Costs, Reg Liab, Liab ADIT, Excess NOL ADIT	20
Amortization Period (Years) for NOL ADIT @ 21%	10 Note: estimate; actual amortization will be based on taxable income of SCE&G, SCANA, and/or Dominion
Amortization Start Year	2019
Equity Capitalization %	52.81%
Equity Return %	9.10%
Debt Capitalization %	47.19%
Debt Return %	5.56%
Securitization Debt Return %	5.00%
Prior Gross-Up Factor	1.6194
Present Gross-Up Factor	1.3324
SC Retail Allocation Factor	96.83%

	2018	2019	2020	2021	2022	2023	2024	2025	2026
South Carolina Retail									
Securitization									
Regulatory Asset for NND Costs	2,683,746	2,683,746	2,683,746	2,683,746	2,683,746	2,683,746	2,683,746	2,683,746	2,683,746
Less: Accumulated Amortization of NND Costs	0	(134,187)	(266,375)	(402,562)	(536,749)	(670,937)	(805,124)	(939,311)	(1,073,498)
Total Securitized Rate Base End of Year	2,683,746	2,549,559	2,415,371	2,281,184	2,146,997	2,012,810	1,878,622	1,744,435	1,610,248
Total Securitized Rate Base Average Year	2,616,652	2,482,465	2,348,278	2,214,991	2,079,903	1,945,716	1,811,529	1,677,341	
Securitized Debt Return on Securitized Rate Base Average Year	130,833	124,123	117,414	110,705	103,995	97,286	90,576	83,867	
Non-Securitization									
Regulatory Asset for NND Costs	(1,026,533)	(975,206)	(923,380)	(872,553)	(821,226)	(769,900)	(718,573)	(667,246)	(615,920)
Less: ADIT on NND Costs	669,595	585,124	554,328	523,532	492,736	461,940	431,144	400,348	369,552
Add: ADIT on Sale of Right to Receive	(1,063,572)	(1,063,572)	(1,063,572)	(1,063,572)	(1,063,572)	(1,063,572)	(1,063,572)	(1,063,572)	(1,063,572)
Regulatory Liability for Toshiba Proceeds	0	53,179	106,357	159,536	212,714	265,893	319,072	372,250	425,429
Add: Accumulated Amortization of Reg Liab for Return of Toshiba Proceeds	406,816	386,475	366,135	345,794	325,453	305,112	284,771	264,431	244,090
Add: ADIT on Reg Liab for Return of Toshiba Proceeds	(\$106,446)	(\$106,446)	(\$106,446)	(\$106,446)	(\$106,446)	(\$106,446)	(\$106,446)	(\$106,446)	(\$106,446)
Regulatory Liability for Return on Toshiba Proceeds	0	5,322	10,645	15,967	21,289	26,612	31,934	37,256	42,579
Add: Accumulated Amortization of Reg Liab for Return on Toshiba Proceeds	40,716	38,680	36,644	34,568	32,573	30,537	28,501	26,465	24,429
Add: ADIT on Reg Liab for Return on Toshiba Proceeds	(\$391,980)	(\$391,980)	(\$391,980)	(\$391,980)	(\$391,980)	(\$391,980)	(\$391,980)	(\$391,980)	(\$391,980)
Regulatory Liability for Refund of Revised Rates on Disallowed NND Costs	0	19,599	39,198	58,797	78,396	97,995	117,594	137,193	156,792

SOUTH CAROLINA ELECTRIC & GAS COMPANY
LEVELIZED RECOVERY OF ALLOWED NEW NUCLEAR DEVELOPMENT COSTS
LESS RELATED REGULATORY LIABILITIES
ORS RECOMMENDATIONS
(\$ THOUSANDS)

ORS SURREBUTTAL EXHIBIT LK-2
Page 2 of 9

Allowed NND Costs Before Transfers, Sales and Other Reductions (Total Company)	\$2,865,680
ORS CWP Adjustments (not including transfers), (Total Company)	(\$19,944)
Transfers to Unit 1 and Trans. (Total Company)	(\$74,130)
Toshiba Proceeds Offset to NND Costs (Total Company)	(\$1,098,391) Note: no reduction for estimated lien payments
NOL ADIT on Allowed NND Costs @ 21% (Total Company)	\$0
Excess NOL ADIT on Allowed NND Costs (Total Company)	\$48,504
Prior Combined Federal and State Income Tax Rate %	38.25%
Present Combined Federal and State Income Tax Rate %	24.95%
Amort Period (Years) for Allowed NND Costs, Reg Liab, Liab ADIT, Excess NOL ADIT	20
Amortization Period (Years) for NOL ADIT @ 21%	10 Note: estimate; actual amortization will be based on taxable income of SCE&G, SCANA, and/or Dominion
Amortization Start Year	2019
Equity Capitalization %	52.81%
Equity Return %	9.10%
Debt Capitalization %	47.19%
Debt Return %	5.56%
Securitization Debt Return %	5.00%
Prior Gross-Up Factor	1.6194
Present Gross-Up Factor	1.3324
SC Retail Allocation Factor	96.83%

South Carolina Retail

	2018	2019	2020	2021	2022	2023	2024	2025	2026
Add: ADIT on Reg Liab for Refund of Rev Rates	\$131,619	125,938	118,457	111,877	105,296	98,715	92,134	85,553	78,972
Regulatory Liability for Return on Refund of Revised Rates	(\$37,264)	(\$31,764)	(\$31,764)	(\$31,764)	(\$37,264)	(\$37,264)	(\$37,264)	(\$37,264)	(\$37,264)
Add: Accumulated Amortization of Reg Liab for Ret on Ref of Rev Rates	0	1,863	3,726	5,590	7,453	9,316	11,179	13,042	14,905
Add: ADIT on Reg Liab for Ret on Refund of Rev Rates	10,563	10,035	9,506	8,978	8,450	7,922	7,394	6,866	6,338
NOL ADIT @ 21%	0	0	0	0	0	0	0	0	0
Excess NOL ADIT	46,966	44,618	42,269	39,921	37,573	35,224	32,876	30,528	28,180
Total Non-Securitized Rate Base End of Year	(1,319,520)	(1,304,536)	(1,235,876)	(1,167,216)	(1,098,556)	(1,029,897)	(961,237)	(892,577)	(823,917)
Total Non-Securitized Rate Base Average Year	(1,312,028)	(1,270,206)	(1,201,546)	(1,132,886)	(1,064,226)	(995,567)	(926,907)	(858,247)	
9.03%	9.03%	9.03%	9.03%	9.03%	9.03%	9.03%	9.03%	9.03%	9.03%
(118,424)	(114,649)	(108,452)	(102,254)	(96,057)	(89,860)	(83,663)	(77,465)		
Total Securitized and Non-Securitized									
Total Securitized + Non-Securitized Return on Total Rate Base Average Year	12,409	9,474	8,962	8,450	7,938	7,426	6,914	6,402	
Amortization Expense - NND Regulatory Asset	134,187	134,187	134,187	134,187	134,187	134,187	134,187	134,187	134,187
Amortization Expense - Toshiba Proceeds Regulatory Liability	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)
Amortization Expense - Return on Toshiba Proceeds Regulatory Liability	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)
Amortization Expense - Refund of Revised Rates on Disallowed Costs Reg Liability	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)

SOUTH CAROLINA ELECTRIC & GAS COMPANY
LEVELIZED RECOVERY OF ALLOWED NEW NUCLEAR DEVELOPMENT COSTS
LESS RELATED REGULATORY LIABILITIES
ORS RECOMMENDATIONS
(\$ THOUSANDS)

ORS SURREBUTTAL EXHIBIT LK-2
Page 3 of 9

Allowed NND Costs Before Transfers, Sales and Other Reductions (Total Company)	\$2,865,680
ORS CWP Adjustments (not including transfers) (Total Company)	(\$19,944)
Transfers to Unit 1 and Trans. (Total Company)	(\$74,130)
Toshiba Proceeds Offset to NND Costs (Total Company)	(\$1,098,391) Note: no reduction for estimated lien payments
NOL ADIT on Allowed NND Costs @ 21% (Total Company)	\$0
Excess NOL ADIT on Allowed NND Costs (Total Company)	\$48,504
Prior Combined Federal and State Income Tax Rate %	38.25%
Present Combined Federal and State Income Tax Rate %	24.95%
Amort Period (Years) for Allowed NND Costs, Reg Liab, Liab ADIT, Excess NOL ADIT	20
Amortization Period (Years) for NOL ADIT @ 21%	10 Note: estimate; actual amortization will be based on taxable income of SCE&G, SCANA, and/or Dominion
Amortization Start Year	2019
Equity Capitalization %	52.81%
Equity Return %	9.10%
Debt Capitalization %	47.19%
Debt Return %	5.56%
Securitization Debt Return %	5.00%
Prior Gross-Up Factor	1.6194
Present Gross-Up Factor	1.3324
SC Retail Allocation Factor	96.83%

	2018	2019	2020	2021	2022	2023	2024	2025	2026
Amortization Expense - Refund of Return on Refund of Revised Rates Reg Liability	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)
Amortization Expense - Excess NOL ADIT (Grossed-Up to Revenue Equiv)	3,129	3,129	3,129	3,129	3,129	3,129	3,129	3,129	3,129
Amortization Expense - Excess Liability ADIT (Grossed-Up to Revenue Equiv)	(12,032)	(12,032)	(12,032)	(12,032)	(12,032)	(12,032)	(12,032)	(12,032)	(12,032)
Total Amortization Expense	45,321	45,321	45,321	45,321	45,321	45,321	45,321	45,321	45,321
Return Of + Total Securitized + Non-Securitized Return On Revenue Requirement	57,730	54,796	54,284	53,771	53,259	52,747	52,235	51,723	
NPV of Revenue Requirement	52,951	46,098	41,887	38,057	34,574	31,406	28,527	25,909	
Levelized Revenue Requirement	52,089	52,089	52,089	52,089	52,089	52,089	52,089	52,089	52,089
NPV of Revenue Requirement - Check	47,777	43,822	40,194	35,866	33,814	31,015	28,447	26,092	

SOUTH CAROLINA ELECTRIC & GAS COMPANY
LEVELIZED RECOVERY OF ALLOWED NEW NUCLEAR DEVELOPMENT COSTS
LESS RELATED REGULATORY LIABILITIES
ORS RECOMMENDATIONS
(\$ THOUSANDS)

ORS SURREBUTTAL EXHIBIT LK-2
Page 4 of 9

Allowed NND Costs Before Transfers, Sales and Other Reductions (Total Company)	\$2,865,680
ORS CWP Adjustments (not including transfers) (Total Company)	(\$19,944)
Transfers to Unit 1 and Trans. (Total Company)	(\$74,130)
Toshiba Proceeds Offset to NND Costs (Total Company)	(\$1,098,391)
NOL ADIT on Allowed NND Costs @ 21% (Total Company)	\$0
Excess NOL ADIT on Allowed NND Costs (Total Company)	\$48,504
Prior Combined Federal and State Income Tax Rate %	38.25%
Present Combined Federal and State Income Tax Rate %	24.95%
Amort Period (Years) for Allowed NND Costs, Reg Liab, Liab ADIT, Excess NOL ADIT	20
Amortization Period (Years) for NOL ADIT @ 21%	10
Amortization Start Year	2019
Equity Capitalization %	52.81%
Equity Return %	9.10%
Debt Capitalization %	47.19%
Debt Return %	5.56%
Securitization Debt Return %	5.00%
Prior Gross-Up Factor	1.6194
Present Gross-Up Factor	1.3324
SC Retail Allocation Factor	96.83%

	2027	2028	2029	2030	2031	2032	2033	2034	2035
South Carolina Retail									
Securitization									
Regulatory Asset for NND Costs	0	0	0	0	0	0	0	0	0
Less: Accumulated Amortization of NND Costs	(564,593)	(513,266)	(461,940)	(410,613)	(359,287)	(307,960)	(256,633)	(205,307)	(153,980)
Total Securitized Rate Base End of Year	1,476,060	1,341,873	1,207,686	1,073,498	939,311	805,124	670,937	536,749	402,562
Total Securitized Rate Base Average Year	1,543,154	1,408,967	1,274,779	1,140,592	1,006,405	872,217	738,030	603,843	469,656
Securitized Debt Return on Securitized Rate Base Average Year	77,158	70,448	63,739	57,030	50,320	43,611	36,902	30,192	23,483

Non-Securitization									
Regulatory Asset for NND Costs	0	0	0	0	0	0	0	0	0
Less: ADIT on NND Costs	(564,593)	(513,266)	(461,940)	(410,613)	(359,287)	(307,960)	(256,633)	(205,307)	(153,980)
Add: ADIT on Sale of Right to Receive	338,756	307,960	277,164	246,368	215,572	184,776	153,980	123,184	92,388
Regulatory Liability for Toshiba Proceeds	(1,063,572)	(1,063,572)	(1,063,572)	(1,063,572)	(1,063,572)	(1,063,572)	(1,063,572)	(1,063,572)	(1,063,572)
Add: Accumulated Amortization of Reg Liab for Return of Toshiba Proceeds	478,607	531,786	584,965	638,143	691,322	744,500	797,679	850,858	904,036
Add: ADIT on Reg Liab for Return of Toshiba Proceeds	223,749	203,408	183,067	162,727	142,386	122,045	101,704	81,363	61,022
Regulatory Liability for Return on Toshiba Proceeds	(\$106,446)	(\$106,446)	(\$106,446)	(\$106,446)	(\$106,446)	(\$106,446)	(\$106,446)	(\$106,446)	(\$106,446)
Add: Accumulated Amortization of Reg Liab for Return on Toshiba Proceeds	47,901	53,223	58,546	63,868	69,190	74,512	79,835	85,157	90,479
Add: ADIT on Reg Liab for Return on Toshiba Proceeds	22,394	20,358	18,322	16,286	14,251	12,215	10,179	8,143	6,107
Regulatory Liability for Refund of Revised Rates on Disallowed NND Costs	(\$391,980)	(\$391,980)	(\$391,980)	(\$391,980)	(\$391,980)	(\$391,980)	(\$391,980)	(\$391,980)	(\$391,980)
Add: Accumulated Amortization of Reg Liab for Refund of Rev Rates	176,391	195,990	215,589	235,188	254,787	274,386	293,985	313,584	333,183

SOUTH CAROLINA ELECTRIC & GAS COMPANY
LEVELIZED RECOVERY OF ALLOWED NEW NUCLEAR DEVELOPMENT COSTS
LESS RELATED REGULATORY LIABILITIES
ORS RECOMMENDATIONS
(\$ THOUSANDS)

ORS SURREBUTTAL EXHIBIT LK-2
Page 5 of 9

Allowed NND Costs Before Transfers, Sales and Other Reductions (Total Company)	\$2,865,680
ORS CWP Adjustments (not including transfers) (Total Company)	(\$19,944)
Transfers to Unit 1 and Trans. (Total Company)	(\$74,130)
Toshiba Proceeds Offset to NND Costs (Total Company)	(\$1,098,391)
NOL ADIT on Allowed NND Costs @ 21% (Total Company)	\$0
Excess NOL ADIT on Allowed NND Costs (Total Company)	\$48,504
Prior Combined Federal and State Income Tax Rate %	38.25%
Present Combined Federal and State Income Tax Rate %	24.95%
Amort Period (Years) for Allowed NND Costs, Reg Liab, Liab ADIT, Excess NOL ADIT	20
Amortization Period (Years) for NOL ADIT @ 21%	10
Amortization Start Year	2019
Equity Capitalization %	52.81%
Equity Return %	9.10%
Debt Capitalization %	47.19%
Debt Return %	5.56%
Securitization Debt Return %	5.00%
Prior Gross-Up Factor	1.6194
Present Gross-Up Factor	1.3324
SC Retail Allocation Factor	96.83%

	2027	2028	2029	2030	2031	2032	2033	2034	2035
Add: ADIT on Reg Liab for Refund of Rev Rates	72,391	65,810	59,229	52,648	46,067	39,486	32,905	26,324	19,743
Regulatory Liability for Return on Refund of Revised Rates	(\$37,264)								
Add: Accumulated Amortization of Reg Liab for Ret on Ref of Rev Rates	16,769	18,632	20,495	22,358	24,221	26,085	27,948	29,811	31,674
Add: ADIT on Reg Liab for Ret on Refund of Rev Rates	5,810	5,281	4,753	4,225	3,697	3,169	2,641	2,113	1,584
NOL ADIT @ 21%	0								
Excess NOL ADIT	25,831	23,483	21,135	18,786	16,438	14,090	11,741	9,393	7,045
Total Non-Securitized Rate Base End of Year	(755,257)	(686,598)	(617,938)	(549,278)	(480,618)	(411,959)	(343,299)	(274,639)	(205,979)
Total Non-Securitized Rate Base Average Year	(789,587)	(720,928)	(653,268)	(583,608)	(514,948)	(446,288)	(377,629)	(308,969)	(240,309)
Non-Securitized Grossed Up Rate of Return	9.03%	9.03%	9.03%	9.03%	9.03%	9.03%	9.03%	9.03%	9.03%
Non-Securitized Return on Non-Securitized Rate Base Average Year	(71,268)	(65,071)	(58,874)	(52,677)	(46,479)	(40,282)	(34,085)	(27,888)	(21,690)
Total Securitized and Non-Securitized									
Total Securitized + Non-Securitized Return on Total Rate Base Average Year	5,889	5,377	4,865	4,353	3,841	3,329	2,817	2,305	1,792

Amortization Expense - NND Regulatory Asset
Amortization Expense - Toshiba Proceeds Regulatory Liability
Amortization Expense - Return on Toshiba Proceeds Regulatory Liability
Amortization Expense - Refund of Revised Rates on Disallowed Costs Reg Liability

134,187	134,187	134,187	134,187	134,187	134,187	134,187	134,187	134,187
(53,179)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)
(5,322)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)
(19,599)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)

SOUTH CAROLINA ELECTRIC & GAS COMPANY
LEVELIZED RECOVERY OF ALLOWED NEW NUCLEAR DEVELOPMENT COSTS
LESS RELATED REGULATORY LIABILITIES
ORS RECOMMENDATIONS
(\$ THOUSANDS)

ORS SURREBUTTAL EXHIBIT LK-2
Page 6 of 9

		2027	2028	2029	2030	2031	2032	2033	2034	2035
Allowed NND Costs Before Transfers, Sales and Other Reductions (Total Company)	\$2,865,680									
ORS CWP Adjustments (not including transfers) (Total Company)	(\$19,944)									
Transfers to Unit 1 and Trans. (Total Company)	(\$74,130)									
Toshiba Proceeds Offset to NND Costs (Total Company)	(\$1,098,391)									
NOL ADIT on Allowed NND Costs @ 21% (Total Company)	\$0									
Excess NOL ADIT on Allowed NND Costs (Total Company)	\$48,504									
Prior Combined Federal and State Income Tax Rate %	38.25%									
Present Combined Federal and State Income Tax Rate %	24.95%									
Amort Period (Years) for Allowed NND Costs, Reg Liab, Liab ADIT, Excess NOL ADIT	20									
Amortization Period (Years) for NOL ADIT @ 21%	10									
Amortization Start Year	2019									
Equity Capitalization %	52.81%									
Equity Return %	9.10%									
Debt Capitalization %	47.19%									
Debt Return %	5.56%									
Securitization Debt Return %	5.00%									
Prior Gross-Up Factor	1.6194									
Present Gross-Up Factor	1.3324									
SC Retail Allocation Factor	96.83%									
<hr/>										
		South Carolina Retail								
Amortization Expense - Refund of Return on Refund of Revised Rates Reg Liability		(1,863)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)
Amortization Expense - Excess NOL ADIT (Grossed-up to Revenue Equiv)		3,129	3,129	3,129	3,129	3,129	3,129	3,129	3,129	3,129
Amortization Expense - Excess Liability ADIT (Grossed-up to Revenue Equiv)		(12,032)	(12,032)	(12,032)	(12,032)	(12,032)	(12,032)	(12,032)	(12,032)	(12,032)
Total Amortization Expense		45,321	45,321	45,321	45,321	45,321	45,321	45,321	45,321	45,321
Return Of + Total Securitized + Non-Securitized Return On Revenue Requirement		51,211	50,699	50,187	49,674	49,162	48,650	48,138	47,626	47,114
NPV of Revenue Requirement		23,528	21,365	19,398	17,610	15,986	14,510	13,169	11,950	10,843
Levelized Revenue Requirement		52,089	52,089	52,089	52,089	52,089	52,089	52,089	52,089	52,089
NPV of Revenue Requirement - Check		23,932	21,951	20,133	18,467	16,938	15,536	14,249	13,070	11,988

SOUTH CAROLINA ELECTRIC & GAS COMPANY
LEVELIZED RECOVERY OF ALLOWED NEW NUCLEAR DEVELOPMENT COSTS
LESS RELATED REGULATORY LIABILITIES
ORS RECOMMENDATIONS
(\$ THOUSANDS)

ORS SURREBUTTAL EXHIBIT LK-2
Page 7 of 9

		2036	2037	2038	Total
Allowed NND Costs Before Transfers, Sales and Other Reductions (Total Company)	\$2,865,680				
ORS CWP Adjustments (not including transfers) (Total Company)	(\$19,944)				
Transfers to Unit 1 and Trans. (Total Company)	(\$74,130)				
Toshiba Proceeds Offset to NND Costs (Total Company)	(\$1,098,391)				
NOL ADIT on Allowed NND Costs @ 21% (Total Company)	\$0				
Excess NOL ADIT on Allowed NND Costs (Total Company)	\$48,504				
Prior Combined Federal and State Income Tax Rate %	38.25%				
Present Combined Federal and State Income Tax Rate %	24.95%				
Amort Period (Years) for Allowed NND Costs, Reg Liab, Liab ADIT, Excess NOL ADIT	20				
Amortization Period (Years) for NOL ADIT @ 21%	10				
Amortization Start Year	2019				
Equity Capitalization %	52.81%				
Equity Return %	9.10%				
Debt Capitalization %	47.19%				
Debt Return %	5.56%				
Securitization Debt Return %	5.00%				
Prior Gross-Up Factor	1.6194				
Present Gross-Up Factor	1.3324				
SC Retail Allocation Factor	96.83%				
South Carolina Retail					
Securitization					
Regulatory Asset for NND Costs	2,683,746	2,683,746	2,683,746	2,683,746	
Less: Accumulated Amortization of NND Costs	(2,415,371)	(2,549,559)	(2,683,746)		
Total Securitized Rate Base End of Year	268,375	134,187	0		
Total Securitized Rate Base Average Year	335,468	201,281	67,094		
Securitized Debt Return on Securitized Rate Base Average Year	16,773	10,064	3,355	1,341,873	
Non-Securitization					
Regulatory Asset for NND Costs	0	0	0	0	
Less: ADIT on NND Costs	(102,653)	(51,327)	(0)		
Add: ADIT on Sale of Right to Receive	61,592	30,796	0		
Regulatory Liability for Toshiba Proceeds	(1,063,572)	(1,063,572)	(1,063,572)		
Add: Accumulated Amortization of Reg Liab for Return of Toshiba Proceeds	957,215	1,010,393	1,063,572		
Add: ADIT on Reg Liab for Return of Toshiba Proceeds	40,682	20,341	(0)		
Regulatory Liability for Return on Toshiba Proceeds	(\$106,446)	(\$106,446)	(\$106,446)		
Add: Accumulated Amortization of Reg Liab for Return on Toshiba Proceeds	95,802	101,124	106,446		
Add: ADIT on Reg Liab for Return on Toshiba Proceeds	4,072	2,036	(0)		
Regulatory Liability for Refund of Revised Rates on Disallowed NND Costs	(\$391,980)	(\$391,980)	(\$391,980)		
Add: Accumulated Amortization of Reg Liab for Refund of Rev. Rates	352,782	372,381	391,980		

SOUTH CAROLINA ELECTRIC & GAS COMPANY
LEVELIZED RECOVERY OF ALLOWED NEW NUCLEAR DEVELOPMENT COSTS
LESS RELATED REGULATORY LIABILITIES
ORS RECOMMENDATIONS
(\$ THOUSANDS)

ORS SURREBUTTAL EXHIBIT LK-2
Page 8 of 9

		2036	2037	2038	Total
Allowed NND Costs Before Transfers, Sales and Other Reductions (Total Company)	\$2,865,680				
ORS CWP Adjustments (not including transfers) (Total Company)	(\$19,944)				
Transfers to Unit 1 and Trans. (Total Company)	(\$74,130)				
Toshiba Proceeds Offset to NND Costs (Total Company)	(\$1,098,391)				
NOL ADIT on Allowed NND Costs @ 21% (Total Company)	\$0				
Excess NOL ADIT on Allowed NND Costs (Total Company)	\$48,504				
Prior Combined Federal and State Income Tax Rate %	38.25%				
Present Combined Federal and State Income Tax Rate %	24.95%				
Amort Period (Years) for Allowed NND Costs, Reg Liab, Liab ADIT, Excess NOL ADIT	20				
Amortization Period (Years) for NOL ADIT @ 21%	10				
Amortization Start Year	2019				
Equity Capitalization %	52.81%				
Equity Return %	9.10%				
Debt Capitalization %	47.19%				
Debt Return %	5.56%				
Securitization Debt Return %	5.00%				
Prior Gross-Up Factor	1.6194				
Present Gross-Up Factor	1.3324				
SC Retail Allocation Factor	96.83%				
South Carolina Retail					
Add: ADIT on Reg Liab for Refund of Rev Rates	13,162	6,581	0	0	
Regulatory Liability for Return on Refund of Revised Rates	(\$37,264)	(\$37,264)	(\$37,264)	(\$37,264)	
Add: Accumulated Amortization of Reg Liab for Ret on Ref of Rev Rates	33,537	35,400	37,264	37,264	
Add: ADIT on Reg Liab for Ret on Refund of Rev Rates	1,056	528	(0)	(0)	
NOL ADIT @ 21%	0	0	0	0	
Excess NOL ADIT	4,697	2,348	0	0	
Total Non-Securitized Rate Base End of Year	(137,320)	(68,660)	(0)	(0)	
Total Non-Securitized Rate Base Average Year	(171,649)	(102,990)	(34,330)	(34,330)	
Non-Securitized Grossed Up Rate of Return	9.03%	9.03%	9.03%	9.03%	
Non-Securitized Return on Non-Securitized Rate Base Average Year	(15,493)	(9,296)	(3,099)	(1,237,026)	
Total Securitized and Non-Securitized					
Amortization Expense - NND Regulatory Asset	134,187	134,187	134,187	134,187	
Amortization Expense - Toshiba Proceeds Regulatory Liability	(53,179)	(53,179)	(53,179)	(53,179)	
Amortization Expense - Return on Toshiba Proceeds Regulatory Liability	(5,322)	(5,322)	(5,322)	(5,322)	
Amortization Expense - Refund of Revised Rates on Disallowed Costs Reg Liability	(19,599)	(19,599)	(19,599)	(19,599)	

SOUTH CAROLINA ELECTRIC & GAS COMPANY
LEVELIZED RECOVERY OF ALLOWED NEW NUCLEAR DEVELOPMENT COSTS
LESS RELATED REGULATORY LIABILITIES
ORS RECOMMENDATIONS
(\$ THOUSANDS)

ORS SURREBUTTAL EXHIBIT LK-2
Page 9 of 9

	2036	2037	2038	Total
Allowed NND Costs Before Transfers, Sales and Other Reductions (Total Company)	\$2,865,680			
ORS CWP Adjustments (not including transfers) (Total Company)	(\$19,944)			
Transfers to Unit 1 and Trans. (Total Company)	(\$74,130)			
Toshiba Proceeds Offset to NND Costs (Total Company)	(\$1,098,391)			
NOL ADIT on Allowed NND Costs @ 21% (Total Company)	\$0			
Excess NOL ADIT on Allowed NND Costs (Total Company)	\$48,504			
Prior Combined Federal and State Income Tax Rate %	38.25%			
Present Combined Federal and State Income Tax Rate %	24.95%			
Amort Period (Years) for Allowed NND Costs, Reg Liab, Liab ADIT, Excess NOL ADIT	20			
Amortization Period (Years) for NOL ADIT @ 21%	10			
Amortization Start Year	2019			
Equity Capitalization %	52.81%			
Equity Return %	9.10%			
Debt Capitalization %	47.19%			
Debt Return %	5.56%			
Securitization Debt Return %	5.00%			
Prior Gross-Up Factor	1.6194			
Present Gross-Up Factor	1.3324			
SC Retail Allocation Factor	96.83%			
 South Carolina Retail Amortization Expense - Refund of Return on Refund of Revised Rates Reg Liability	 (\$1,863) 3,129 (12,032)	 (1,863) 3,129 (12,032)	 (1,863) 3,129 (12,032)	 (1,863) 3,129 (12,032)
Amortization Expense - Excess NOL ADIT (Grossed-up to Revenue Equiv)				3,129 3,129 (12,032)
Amortization Expense - Excess liability ADIT (Grossed-up to Revenue Equiv)				3,129 3,129 (12,032)
Total Amortization Expense	 45,321	 45,321	 45,321	 906,428
Return Of + Total Securitized + Non-Securitized Return On Revenue Requirement	 46,602	 46,090	 45,577	 1,011,275
NPV of Revenue Requirement	 9,837	 8,923	 8,094	 474,621
Levelized Revenue Requirement	 52,089	 52,089	 52,089	 1,041,788
NPV of Revenue Requirement - Check	 10,995	 10,085	 9,250	 474,621

SOUTH CAROLINA ELECTRIC & GAS COMPANY
LEVELIZED RECOVERY OF ALLOWED NEW NUCLEAR DEVELOPMENT COSTS
LESS RELATED REGULATORY LIABILITIES
ORS RECOMMENDATIONS
(\$ THOUSANDS)

ORS SURREBUTTAL EXHIBIT LK-3
Page 1 of 9

	2018	2019	2020	2021	2022	2023	2024	2025	2026
Allowed NND Costs Before Transfers, Sales and Other Reductions (Total Company)									
ORS CWP Adjustments (not including transfers) (Total Company)									
Transfers to Unit 1 and Trans. (Total Company)									
Toshiba Proceeds Offset to NND Costs (Total Company)									
NOL ADIT on Allowed NND Costs @ 21% (Total Company)	\$2,865,680	(\$19,944)	(\$74,130)	(\$1,098,391)	Note: no reduction for estimated lien payments				
Excess NOL ADIT on Allowed NND Costs (Total Company)									
Prior Combined Federal and State Income Tax Rate %									
Present Combined Federal and State Income Tax Rate %									
Amort Period (Years) for Allowed NND Costs, Reg Liab, Liab ADIT, Excess NOL ADIT	20								
Amortization Period (Years) for NOL ADIT @ 21%	2019								
Amortization Start Year	52.81%								
Equity Capitalization %	9.10%								
Debt Capitalization %	47.19%								
Debt Return %	5.56%								
Securitization Debt Return %	4.00%								
Prior Gross-Up Factor	1.6194								
Present Gross-Up Factor	1.3324								
SC Retail Allocation Factor	96.83%								

	2018	2019	2020	2021	2022	2023	2024	2025	2026
South Carolina Retail									
Securitization									
Regulatory Asset for NND Costs									
Less: Accumulated Amortization of NND Costs									
2,683,746	2,683,746	2,683,746	2,683,746	2,683,746	2,683,746	2,683,746	2,683,746	2,683,746	2,683,746
0	(134,187)	(266,375)	(402,562)	(536,749)	(670,937)	(805,124)	(939,311)	(1,073,498)	
Total Securitized Rate Base End of Year									
2,683,746	2,549,559	2,415,371	2,281,184	2,146,997	2,012,810	1,878,622	1,744,435	1,610,248	
2,616,652	2,482,465	2,348,278	2,214,091	2,079,903	1,945,716	1,811,529	1,677,341		
104,566	99,299	93,931	88,564	83,196	77,829	72,461	67,094		
Non-Securitization									
Regulatory Asset for NND Costs									
Less: ADIT on NND Costs									
Add: ADIT on Sale of Right to Receive									
(1,026,533)	(975,206)	(923,380)	(872,553)	(821,226)	(769,900)	(718,573)	(667,246)	(615,920)	
669,595	585,124	554,328	523,532	492,736	461,940	431,144	400,348	369,552	
(1,063,572)	(1,063,572)	(1,063,572)	(1,063,572)	(1,063,572)	(1,063,572)	(1,063,572)	(1,063,572)	(1,063,572)	(1,063,572)
0	53,179	106,357	159,536	212,714	265,893	319,072	372,250	425,429	
406,816	386,475	366,135	345,794	325,453	305,112	284,771	264,431	244,090	
(\$106,446)	(\$106,446)	(\$106,446)	(\$106,446)	(\$106,446)	(\$106,446)	(\$106,446)	(\$106,446)	(\$106,446)	(\$106,446)
0	5,322	10,645	15,967	21,289	26,612	31,934	37,256	42,579	
40,716	38,680	36,644	34,568	32,573	30,537	28,501	26,465	24,429	
(\$391,980)	(\$391,980)	(\$391,980)	(\$391,980)	(\$391,980)	(\$391,980)	(\$391,980)	(\$391,980)	(\$391,980)	(\$391,980)
0	19,599	39,198	58,797	78,396	97,995	117,594	137,193	156,792	

SOUTH CAROLINA ELECTRIC & GAS COMPANY
LEVELIZED RECOVERY OF ALLOWED NEW NUCLEAR DEVELOPMENT COSTS
LESS RELATED REGULATORY LIABILITIES
ORS RECOMMENDATIONS
(\$ THOUSANDS)

ORS SURREBUTTAL EXHIBIT LK-3
Page 2 of 9

Allowed NND Costs Before Transfers, Sales and Other Reductions (Total Company)	\$2,865,680
ORS CWP Adjustments (not including transfers), (Total Company)	(\$19,944)
Transfers to Unit 1 and Trans. (Total Company)	(\$74,130)
Toshiba Proceeds Offset to NND Costs (Total Company)	(\$1,098,391) Note: no reduction for estimated lien payments
NOL ADIT on Allowed NND Costs @ 21% (Total Company)	\$0
Excess NOL ADIT on Allowed NND Costs (Total Company)	\$48,504
Prior Combined Federal and State Income Tax Rate %	38.25%
Present Combined Federal and State Income Tax Rate %	24.95%
Amort Period (Years) for Allowed NND Costs, Reg Liab, Liab ADIT, Excess NOL ADIT	20
Amortization Period (Years) for NOL ADIT @ 21%	10 Note: estimate; actual amortization will be based on taxable income of SCE&G, SCANA, and/or Dominion
Amortization Start Year	2019
Equity Capitalization %	52.81%
Equity Return %	9.10%
Debt Capitalization %	47.19%
Debt Return %	5.56%
Securitization Debt Return %	4.00%
Prior Gross-Up Factor	1.6194
Present Gross-Up Factor	1.3324
SC Retail Allocation Factor	96.83%

South Carolina Retail

	2018	2019	2020	2021	2022	2023	2024	2025	2026
Add: ADIT on Reg Liab for Refund of Rev Rates	\$131,619	125,938	118,457	111,877	105,296	98,715	92,134	85,553	78,972
Regulatory Liability for Return on Refund of Revised Rates	(\$37,264)	(\$31,764)	(\$31,764)	(\$31,764)	(\$37,264)	(\$37,264)	(\$37,264)	(\$37,264)	(\$37,264)
Add: Accumulated Amortization of Reg Liab for Ret on Ref of Rev Rates	0	1,863	3,726	5,590	7,453	9,316	11,179	13,042	14,905
Add: ADIT on Reg Liab for Ret on Refund of Rev Rates	10,563	10,035	9,506	8,978	8,450	7,922	7,394	6,866	6,338
NOL ADIT @ 21%	0	0	0	0	0	0	0	0	0
Excess NOL ADIT	46,966	44,618	42,269	39,921	37,573	35,224	32,876	30,528	28,180
Total Non-Securitized Rate Base End of Year	(1,319,520)	(1,304,536)	(1,235,876)	(1,167,216)	(1,098,556)	(1,029,897)	(961,237)	(892,577)	(823,917)
Total Non-Securitized Rate Base Average Year	(1,312,028)	(1,270,206)	(1,201,546)	(1,132,886)	(1,064,226)	(995,567)	(926,907)	(858,247)	
9.03%	9.03%	9.03%	9.03%	9.03%	9.03%	9.03%	9.03%	9.03%	9.03%
(118,424)	(114,649)	(108,452)	(102,254)	(96,057)	(89,860)	(83,663)	(77,465)		
Total Securitized and Non-Securitized									
Total Securitized + Non-Securitized Return on Total Rate Base Average Year	(13,758)	(15,350)	(14,521)	(13,691)	(12,861)	(12,031)	(11,202)	(10,372)	
Amortization Expense - NND Regulatory Asset	134,187	134,187	134,187	134,187	134,187	134,187	134,187	134,187	134,187
Amortization Expense - Toshiba Proceeds Regulatory Liability	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)
Amortization Expense - Return on Toshiba Proceeds Regulatory Liability	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)
Amortization Expense - Refund of Revised Rates on Disallowed Costs Reg Liability	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)

SOUTH CAROLINA ELECTRIC & GAS COMPANY
LEVELIZED RECOVERY OF ALLOWED NEW NUCLEAR DEVELOPMENT COSTS
LESS RELATED REGULATORY LIABILITIES
ORS RECOMMENDATIONS
(\$ THOUSANDS)

ORS SURREBUTTAL EXHIBIT LK-3
Page 3 of 9

Allowed NND Costs Before Transfers, Sales and Other Reductions (Total Company)	\$2,865,680
ORS CWP Adjustments (not including transfers) (Total Company)	(\$19,944)
Transfers to Unit 1 and Trans. (Total Company)	(\$74,130)
Toshiba Proceeds Offset to NND Costs (Total Company)	(\$1,098,391) Note: no reduction for estimated lien payments
NOL ADIT on Allowed NND Costs @ 21% (Total Company)	\$0
Excess NOL ADIT on Allowed NND Costs (Total Company)	\$48,504
Prior Combined Federal and State Income Tax Rate %	38.25%
Present Combined Federal and State Income Tax Rate %	24.95%
Amort Period (Years) for Allowed NND Costs, Reg Liab, Liab ADIT, Excess NOL ADIT	20
Amortization Period (Years) for NOL ADIT @ 21%	10 Note: estimate; actual amortization will be based on taxable income of SCE&G, SCANA, and/or Dominion
Amortization Start Year	2019
Equity Capitalization %	52.81%
Equity Return %	9.10%
Debt Capitalization %	47.19%
Debt Return %	5.56%
Securitization Debt Return %	4.00%
Prior Gross-Up Factor	1.6194
Present Gross-Up Factor	1.3324
SC Retail Allocation Factor	96.83%

	2018	2019	2020	2021	2022	2023	2024	2025	2026
Amortization Expense - Refund of Return on Refund of Revised Rates Reg Liability	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)
Amortization Expense - Excess NOL ADIT (Grossed-Up to Revenue Equiv)	3,129	3,129	3,129	3,129	3,129	3,129	3,129	3,129	3,129
Amortization Expense - Excess Liability ADIT (Grossed-Up to Revenue Equiv)	(12,032)	(12,032)	(12,032)	(12,032)	(12,032)	(12,032)	(12,032)	(12,032)	(12,032)
Total Amortization Expense	45,321	45,321	45,321	45,321	45,321	45,321	45,321	45,321	45,321
Return Of + Total Securitized + Non-Securitized Return On Revenue Requirement	31,564	29,971	30,801	31,631	32,460	33,290	34,120	34,950	
NPV of Revenue Requirement	28,951	25,214	23,767	22,387	21,072	19,821	18,634	17,507	
Levelized Revenue Requirement	34,995	34,995	34,995	34,995	34,995	34,995	34,995	34,995	34,995
NPV of Revenue Requirement - Check	32,098	29,440	27,003	24,767	22,717	20,836	19,111	17,529	

SOUTH CAROLINA ELECTRIC & GAS COMPANY
LEVELIZED RECOVERY OF ALLOWED NEW NUCLEAR DEVELOPMENT COSTS
LESS RELATED REGULATORY LIABILITIES
ORS RECOMMENDATIONS
(\$ THOUSANDS)

ORS SURREBUTTAL EXHIBIT LK-3
Page 4 of 9

Allowed NND Costs Before Transfers, Sales and Other Reductions (Total Company)	\$2,865,680
ORS CWP Adjustments (not including transfers) (Total Company)	(\$19,944)
Transfers to Unit 1 and Trans. (Total Company)	(\$74,130)
Toshiba Proceeds Offset to NND Costs (Total Company)	(\$1,098,391)
NOL ADIT on Allowed NND Costs @ 21% (Total Company)	\$0
Excess NOL ADIT on Allowed NND Costs (Total Company)	\$48,504
Prior Combined Federal and State Income Tax Rate %	38.25%
Present Combined Federal and State Income Tax Rate %	24.95%
Amort Period (Years) for Allowed NND Costs, Reg Liab, Liab ADIT, Excess NOL ADIT	20
Amortization Period (Years) for NOL ADIT @ 21%	10
Amortization Start Year	2019
Equity Capitalization %	52.81%
Equity Return %	9.10%
Debt Capitalization %	47.19%
Debt Return %	5.56%
Securitization Debt Return %	4.00%
Prior Gross-Up Factor	1.6194
Present Gross-Up Factor	1.3324
SC Retail Allocation Factor	96.83%

	2027	2028	2029	2030	2031	2032	2033	2034	2035
South Carolina Retail									
Securitization									
Regulatory Asset for NND Costs									
Less: Accumulated Amortization of NND Costs									
Total Securitized Rate Base End of Year									
Total Securitized Rate Base Average Year									
Securitized Debt Return on Securitized Rate Base Average Year									

	2027	2028	2029	2030	2031	2032	2033	2034	2035
Non-Securitization									
Regulatory Asset for NND Costs									
Less: ADIT on NND Costs									
Add: ADIT on Sale of Right to Receive									
Regulatory Liability for Toshiba Proceeds									
Add: Accumulated Amortization of Reg Liab for Return of Toshiba Proceeds									
Add: ADIT on Reg Liab for Return of Toshiba Proceeds									
Regulatory Liability for Return on Toshiba Proceeds									
Add: Accumulated Amortization of Reg Liab for Return on Toshiba Proceeds									
Add: ADIT on Reg Liab for Return on Toshiba Proceeds									
Regulatory Liability for Refund of Revised Rates on Disallowed NND Costs									
Add: Accumulated Amortization of Reg Liab for Refund of Rev Rates									

SOUTH CAROLINA ELECTRIC & GAS COMPANY
LEVELIZED RECOVERY OF ALLOWED NEW NUCLEAR DEVELOPMENT COSTS
LESS RELATED REGULATORY LIABILITIES
ORS RECOMMENDATIONS
(\$ THOUSANDS)

ORS SURREBUTTAL EXHIBIT LK-3
Page 5 of 9

Allowed NND Costs Before Transfers, Sales and Other Reductions (Total Company)	\$2,865,680
ORS CWP Adjustments (not including transfers) (Total Company)	(\$19,944)
Transfers to Unit 1 and Trans. (Total Company)	(\$74,130)
Toshiba Proceeds Offset to NND Costs (Total Company)	(\$1,098,391)
NOL ADIT on Allowed NND Costs @ 21% (Total Company)	\$0
Excess NOL ADIT on Allowed NND Costs (Total Company)	\$48,504
Prior Combined Federal and State Income Tax Rate %	38.25%
Present Combined Federal and State Income Tax Rate %	24.95%
Amort Period (Years) for Allowed NND Costs, Reg Liab, Liab ADIT, Excess NOL ADIT	20
Amortization Period (Years) for NOL ADIT @ 21%	10
Amortization Start Year	2019
Equity Capitalization %	52.81%
Equity Return %	9.10%
Debt Capitalization %	47.19%
Debt Return %	5.56%
Securitization Debt Return %	4.00%
Prior Gross-Up Factor	1.6194
Present Gross-Up Factor	1.3324
SC Retail Allocation Factor	96.83%

South Carolina Retail

	2027	2028	2029	2030	2031	2032	2033	2034	2035
Add: ADIT on Reg Liab for Refund of Rev Rates	72,391	65,810	59,229	52,648	46,067	39,486	32,905	26,324	19,743
Regulatory Liability for Return on Refund of Revised Rates	(\$37,264)								
Add: Accumulated Amortization of Reg Liab for Ret on Ref of Rev Rates	16,769	18,632	20,495	22,358	24,221	26,085	27,948	29,811	31,674
Add: ADIT on Reg Liab for Ret on Refund of Rev Rates	5,810	5,281	4,753	4,225	3,697	3,169	2,641	2,113	1,584
NOL ADIT @ 21%	0								
Excess NOL ADIT	25,831	23,483	21,135	18,786	16,438	14,090	11,741	9,393	7,045
Total Non-Securitized Rate Base End of Year	(755,257)	(686,598)	(617,938)	(549,278)	(480,618)	(411,959)	(343,299)	(274,639)	(205,979)
Total Non-Securitized Rate Base Average Year	(789,587)	(720,928)	(653,268)	(583,608)	(514,948)	(446,288)	(377,629)	(308,969)	(240,309)
Non-Securitized Grossed Up Rate of Return	9.03%	9.03%	9.03%	9.03%	9.03%	9.03%	9.03%	9.03%	9.03%
Non-Securitized Return on Non-Securitized Rate Base Average Year	(71,268)	(65,071)	(58,874)	(52,677)	(46,479)	(40,282)	(34,085)	(27,888)	(21,690)

Total Securitized and Non-Securitized

Total Securitized + Non-Securitized Return on Total Rate Base Average Year	(9,542)	(8,712)	(7,883)	(7,053)	(6,223)	(5,393)	(4,564)	(3,734)	(2,904)
Amortization Expense - NND Regulatory Asset	134,187	134,187	134,187	134,187	134,187	134,187	134,187	134,187	134,187
Amortization Expense - Toshiba Proceeds Regulatory Liability	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)	(53,179)
Amortization Expense - Return on Toshiba Proceeds Regulatory Liability	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)	(5,322)
Amortization Expense - Refund of Revised Rates on Disallowed Costs Reg Liability	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)	(19,599)

SOUTH CAROLINA ELECTRIC & GAS COMPANY
LEVELIZED RECOVERY OF ALLOWED NEW NUCLEAR DEVELOPMENT COSTS
LESS RELATED REGULATORY LIABILITIES
ORS RECOMMENDATIONS
(\$ THOUSANDS)

ORS SURREBUTTAL EXHIBIT LK-3
Page 6 of 9

	2027	2028	2029	2030	2031	2032	2033	2034	2035
Allowed NND Costs Before Transfers, Sales and Other Reductions (Total Company)	\$2,865,680								
ORS CWP Adjustments (not including transfers) (Total Company)	(\$19,944)								
Transfers to Unit 1 and Trans. (Total Company)	(\$74,130)								
Toshiba Proceeds Offset to NND Costs (Total Company)	(\$1,098,391)								
NOL ADIT on Allowed NND Costs @ 21% (Total Company)	\$0								
Excess NOL ADIT on Allowed NND Costs (Total Company)	\$48,504								
Prior Combined Federal and State Income Tax Rate %	38.25%								
Present Combined Federal and State Income Tax Rate %	24.95%								
Amort Period (Years) for Allowed NND Costs, Reg Liab, Liab ADIT, Excess NOL ADIT	20								
Amortization Period (Years) for NOL ADIT @ 21%	10								
Amortization Start Year	2019								
Equity Capitalization %	52.81%								
Equity Return %	9.10%								
Debt Capitalization %	47.19%								
Debt Return %	5.56%								
Securitization Debt Return %	4.00%								
Prior Gross-Up Factor	1.6194								
Present Gross-Up Factor	1.3324								
SC Retail Allocation Factor	96.83%								
<hr/>									
South Carolina Retail									
Amortization Expense - Refund of Return on Refund of Revised Rates Reg Liability	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)	(1,863)
Amortization Expense - Excess NOL ADIT (Grossed-up to Revenue Equiv)	3,129	3,129	3,129	3,129	3,129	3,129	3,129	3,129	3,129
Amortization Expense - Excess Liability ADIT (Grossed-up to Revenue Equiv)	(12,032)	(12,032)	(12,032)	(12,032)	(12,032)	(12,032)	(12,032)	(12,032)	(12,032)
Total Amortization Expense	45,321	45,321	45,321	45,321	45,321	45,321	45,321	45,321	45,321
Return Of + Total Securitized + Non-Securitized Return On Revenue Requirement	35,779	36,609	37,439	38,269	39,098	39,928	40,758	41,588	42,417
NPV of Revenue Requirement	16,438	15,427	14,471	13,567	12,714	11,908	11,150	10,435	9,762
Levelized Revenue Requirement	34,995	34,995	34,995	34,995	34,995	34,995	34,995	34,995	34,995
NPV of Revenue Requirement - Check	16,078	14,747	13,526	12,406	11,379	10,437	9,573	8,781	8,054

SOUTH CAROLINA ELECTRIC & GAS COMPANY
LEVELIZED RECOVERY OF ALLOWED NEW NUCLEAR DEVELOPMENT COSTS
LESS RELATED REGULATORY LIABILITIES
ORS RECOMMENDATIONS
(\$ THOUSANDS)

ORS SURREBUTTAL EXHIBIT LK-3
Page 7 of 9

		2036	2037	2038	Total
Allowed NND Costs Before Transfers, Sales and Other Reductions (Total Company)	\$2,865,680				
ORS CWP Adjustments (not including transfers) (Total Company)	(\$19,944)				
Transfers to Unit 1 and Trans. (Total Company)	(\$74,130)				
Toshiba Proceeds Offset to NND Costs (Total Company)	(\$1,098,391)				
NOL ADIT on Allowed NND Costs @ 21% (Total Company)	\$0				
Excess NOL ADIT on Allowed NND Costs (Total Company)	\$48,504				
Prior Combined Federal and State Income Tax Rate %	38.25%				
Present Combined Federal and State Income Tax Rate %	24.95%				
Amort Period (Years) for Allowed NND Costs, Reg Liab, Liab ADIT, Excess NOL ADIT	20				
Amortization Period (Years) for NOL ADIT @ 21%	10				
Amortization Start Year	2019				
Equity Capitalization %	52.81%				
Equity Return %	9.10%				
Debt Capitalization %	47.19%				
Debt Return %	5.56%				
Securitization Debt Return %	4.00%				
Prior Gross-Up Factor	1.6194				
Present Gross-Up Factor	1.3324				
SC Retail Allocation Factor	96.83%				
South Carolina Retail					
Securitization					
Regulatory Asset for NND Costs	2,683,746	2,683,746	2,683,746	2,683,746	
Less: Accumulated Amortization of NND Costs	(2,415,371)	(2,549,559)	(2,683,746)		
Total Securitized Rate Base End of Year	268,375	134,187	0		
Total Securitized Rate Base Average Year	335,468	201,281	67,094		
Securitized Debt Return on Securitized Rate Base Average Year	13,419	8,051	2,684	1,073,498	
Non-Securitization					
Regulatory Asset for NND Costs	0	0	0	0	
Less: ADIT on NND Costs	(102,653)	(51,327)	(0)		
Add: ADIT on Sale of Right to Receive	61,592	30,796	0		
Regulatory Liability for Toshiba Proceeds	(1,063,572)	(1,063,572)	(1,063,572)		
Add: Accumulated Amortization of Reg Liab for Return of Toshiba Proceeds	957,215	1,010,393	1,063,572		
Add: ADIT on Reg Liab for Return of Toshiba Proceeds	40,682	20,341	(0)		
Regulatory Liability for Return on Toshiba Proceeds	(\$106,446)	(\$106,446)	(\$106,446)		
Add: Accumulated Amortization of Reg Liab for Return on Toshiba Proceeds	95,802	101,124	106,446		
Add: ADIT on Reg Liab for Return on Toshiba Proceeds	4,072	2,036	(0)		
Regulatory Liability for Refund of Revised Rates on Disallowed NND Costs	(\$391,980)	(\$391,980)	(\$391,980)		
Add: Accumulated Amortization of Reg Liab for Refund of Rev. Rates	352,782	372,381	391,980		

SOUTH CAROLINA ELECTRIC & GAS COMPANY
LEVELIZED RECOVERY OF ALLOWED NEW NUCLEAR DEVELOPMENT COSTS
LESS RELATED REGULATORY LIABILITIES
ORS RECOMMENDATIONS
(\$ THOUSANDS)

ORS SURREBUTTAL EXHIBIT LK-3
Page 8 of 9

	2036	2037	2038	Total
Allowed NND Costs Before Transfers, Sales and Other Reductions (Total Company)	\$2,865,680			
ORS CWP Adjustments (not including transfers) (Total Company)	(\$19,944)			
Transfers to Unit 1 and Trans. (Total Company)	(\$74,130)			
Toshiba Proceeds Offset to NND Costs (Total Company)	(\$1,098,391)			
NOL ADIT on Allowed NND Costs @ 21% (Total Company)	\$0			
Excess NOL ADIT on Allowed NND Costs (Total Company)	\$48,504			
Prior Combined Federal and State Income Tax Rate %	38.25%			
Present Combined Federal and State Income Tax Rate %	24.95%			
Amort Period (Years) for Allowed NND Costs, Reg Liab, Liab ADIT, Excess NOL ADIT	20			
Amortization Period (Years) for NOL ADIT @ 21%	10			
Amortization Start Year	2019			
Equity Capitalization %	52.81%			
Equity Return %	9.10%			
Debt Capitalization %	47.19%			
Debt Return %	5.56%			
Securitization Debt Return %	4.00%			
Prior Gross-Up Factor	1.6194			
Present Gross-Up Factor	1.3324			
SC Retail Allocation Factor	96.83%			
South Carolina Retail				
Add: ADIT on Reg Liab for Refund of Rev Rates	13,162	6,581	0	
Regulatory Liability for Return on Refund of Revised Rates	(\$37,264)	(\$37,264)	(\$37,264)	
Add: Accumulated Amortization of Reg Liab for Ret on Ref of Rev Rates	33,537	35,400	37,264	
Add: ADIT on Reg Liab for Ret on Refund of Rev Rates	1,056	528	(0)	
NOL ADIT @ 21%	0	0	0	
Excess NOL ADIT	4,697	2,348	0	
Total Non-Securitized Rate Base End of Year	(137,320)	(68,660)	(0)	
Total Non-Securitized Rate Base Average Year	(171,649)	(102,990)	(34,330)	
Non-Securitized Grossed Up Rate of Return	9.03%	9.03%	9.03%	
Non-Securitized Return on Non-Securitized Rate Base Average Year	(15,493)	(9,296)	(3,099)	(1,237,026)
Total Securitized and Non-Securitized				
Total Securitized + Non-Securitized Return on Total Rate Base Average Year	(2,074)	(1,245)	(415)	
Amortization Expense - NND Regulatory Asset	134,187	134,187	134,187	
Amortization Expense - Toshiba Proceeds Regulatory Liability	(53,179)	(53,179)	(53,179)	
Amortization Expense - Return on Toshiba Proceeds Regulatory Liability	(5,322)	(5,322)	(5,322)	
Amortization Expense - Refund of Revised Rates on Disallowed Costs Reg Liability	(19,599)	(19,599)	(19,599)	

SOUTH CAROLINA ELECTRIC & GAS COMPANY
LEVELIZED RECOVERY OF ALLOWED NEW NUCLEAR DEVELOPMENT COSTS
LESS RELATED REGULATORY LIABILITIES
ORS RECOMMENDATIONS
(\$ THOUSANDS)

ORS SURREBUTTAL EXHIBIT LK-3
Page 9 of 9

		2036	2037	2038	Total
Allowed NND Costs Before Transfers, Sales and Other Reductions (Total Company)	\$2,865,680				
ORS CWP Adjustments (not including transfers) (Total Company)	(\$19,944)				
Transfers to Unit 1 and Trans. (Total Company)	(\$74,130)				
Toshiba Proceeds Offset to NND Costs (Total Company)	(\$1,098,391)				
NOL ADIT on Allowed NND Costs @ 21% (Total Company)	\$0				
Excess NOL ADIT on Allowed NND Costs (Total Company)	\$48,504				
Prior Combined Federal and State Income Tax Rate %	38.25%				
Present Combined Federal and State Income Tax Rate %	24.95%				
Amort Period (Years) for Allowed NND Costs, Reg Liab, Liab ADIT, Excess NOL ADIT	20				
Amortization Period (Years) for NOL ADIT @ 21%	10				
Amortization Start Year	2019				
Equity Capitalization %	52.81%				
Equity Return %	9.10%				
Debt Capitalization %	47.19%				
Debt Return %	5.56%				
Securitization Debt Return %	4.00%				
Prior Gross-Up Factor	1.6194				
Present Gross-Up Factor	1.3324				
SC Retail Allocation Factor	96.83%				
South Carolina Retail					
Amortization Expense - Refund of Return on Refund of Revised Rates Reg Liability	(1,863)	(1,863)	(1,863)	(1,863)	
Amortization Expense - Excess NOL ADIT (Grossed-up to Revenue Equiv)	3,129	3,129	3,129	3,129	
Amortization Expense - Excess Liability ADIT (Grossed-up to Revenue Equiv)	(12,032)	(12,032)	(12,032)	(12,032)	
Total Amortization Expense	45,321	45,321	45,321	45,321	906,428
Return Of + Total Securitized + Non-Securitized Return On Revenue Requirement	43,247	44,077	44,907	44,907	
NPV of Revenue Requirement	9,129	8,534	7,975	7,975	318,860
Levelized Revenue Requirement	34,995	34,995	34,995	34,995	699,895
NPV of Revenue Requirement - Check	7,387	6,775	6,214	6,214	318,860

**SOUTH CAROLINA ELECTRIC & GAS COMPANY
DOMINION/SCE&G MERGER CUSTOMER BENEFITS PLAN CALCULATED BY ORS
(\$ THOUSAND)**

**ORS SURREBUTTAL EXHIBIT LK-4
Page 1 of 6**

Allowed NND Costs at Dec 31, 2017 (Total Company) (\$000)	\$3,327,000	Source: resp to ORS 3-23
Transfers to Unit 1 and Transmission (Total Company)	(\$58,602)	Exhibit <u>(KRK-1)</u>
NOL ADIT @ 21% (Total Company)	\$498,724	Source: resp to ORS 1-116 corrected by ORS to reflect refund to customers in 2018
Excess NOL ADIT (Total Company)	\$304,423	
Prior Combined Federal and State Income Tax Rate %	38.25%	
Present Combined Federal and State Income Tax Rate %	24.95%	
Amortization Period (Years) for Allowed NND Costs	20	
Amortization Period (Years) for Reg Liability for Refund of Revised Rates	8	
Amortization Start Year		
Amortization Start Year		
Equity Capitalization %	52.81%	
Equity Return %	10.25%	
Debt Capitalization %	47.19%	
Debt Return %		
Prior Gross-Up Factor	5.85%	
Present Gross-Up Factor	1.6194	
SC Retail Allocation Factor	1.3396	
	96.83%	

	2019	2018	2019	2020	2021	2022	2023	2024	2025
3,138,646	3,138,646	3,138,646	3,138,646	3,138,646	3,138,646	3,138,646	3,138,646	3,138,646	3,138,646
0	(156,932)	(313,865)	(470,797)	(627,729)	(784,661)	(941,594)	(1,098,526)		
(1,200,532)	(1,140,505)	(1,080,479)	(1,020,452)	(960,426)	(900,399)	(840,372)	(780,346)		
482,915	458,769	434,623	410,477	386,332	362,186	338,040	313,894		
294,773	265,295	255,818	206,341	176,864	147,386	117,909	88,432		
2,715,801	2,565,272	2,414,744	2,264,215	2,113,686	1,963,158	1,812,629	1,662,100		
<u>2,640,537</u>	<u>2,490,008</u>	<u>2,339,479</u>	<u>2,188,951</u>	<u>2,038,422</u>	<u>1,887,893</u>	<u>1,737,365</u>			
	10.01%	10.01%	10.01%	10.01%	10.01%	10.01%	10.01%	10.01%	10.01%
<u>264,368</u>	<u>249,297</u>	<u>234,226</u>	<u>219,156</u>	<u>204,085</u>	<u>189,014</u>	<u>173,943</u>			
156,932	156,932	156,932	156,932	156,932	156,932	156,932	156,932	156,932	156,932
39,488	39,488	39,488	39,488	39,488	39,488	39,488	39,488	39,488	39,488
(27,960)	(27,960)	(27,960)	(27,960)	(27,960)	(27,960)	(27,960)	(27,960)	(27,960)	(27,960)
168,460	168,460	168,460	168,460	168,460	168,460	168,460	168,460	168,460	168,460
(124,600)	(109,530)	(94,450)	(79,380)	(64,310)	(49,240)	(34,200)			
<u>(1,300,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>(1,300,000)</u>	<u>308,228</u>	<u>308,227</u>	<u>308,236</u>	<u>308,235</u>	<u>308,234</u>	<u>308,233</u>	<u>308,232</u>	<u>308,231</u>	<u>308,203</u>
<u>(1,300,000)</u>	<u>280,177</u>	<u>254,678</u>	<u>231,507</u>	<u>210,438</u>	<u>191,286</u>	<u>173,877</u>	<u>158,037</u>		

South Carolina Retail

Regulatory Asset for NND Costs									
Less: Accumulated Amortization of NND Costs									
Less: ADIT on NND Costs									
NOL ADIT @ 21%									
Excess NOL ADIT									
Total Rate Base End of Year									
Total Rate Base Average Year									
Grossed Up Rate of Return									
Return on Total Rate Base End of Year									
NND Regulatory Asset Amortization Expense									
Amortization Expense - Excess NOL ADIT (Grossed-Up to Revenue Equiv)									
Amortization Expense - Excess ADIT, excl NOL ADIT (Grossed-Up to Revenue Equiv)									
Total Amortization Expense									
Refund of Revised Rates Reg Liability Amortization Expense (Estimated)									
One-Time Refund									
Return Of and On Revenue Requirement, incl One-Time Refund									
NPV of Revenue Requirement, incl One-Time Refund									

**SOUTH CAROLINA ELECTRIC & GAS COMPANY
DOMINION/SCE&G MERGER CUSTOMER BENEFITS PLAN CALCULATED BY ORS
(\$ THOUSAND)**

**ORS SURREBUTTAL EXHIBIT LK-4
Page 2 of 6**

Allowed NND Costs at Dec 31, 2017 (Total Company) (\$000)	\$3,327,000	Source: resp to ORS 3-23
Transfers to Unit 1 and Transmission (Total Company)	(\$85,602)	Exhibit <u>(KRK-1)</u>
NOL ADIT @ 21% (Total Company)	\$498,724	Source: resp to ORS 1-116 corrected by ORS to reflect refund to customers in 2018
Excess NOL ADIT (Total Company)	\$304,423	
Prior Combined Federal and State Income Tax Rate %	38.25%	
Present Combined Federal and State Income Tax Rate %	24.95%	
Amortization Period (Years) for Allowed NND Costs	20	
Amortization Period (Years) for Reg Liability for Refund of Revised Rates	8	
Amortization Start Year		
Equity Capitalization %	52.81%	
Equity Return %	10.25%	
Debt Capitalization %	47.19%	
Debt Return %	5.85%	
Prior Gross-Up Factor	1.6194	
Present Gross-Up Factor	1.3396	
SC Retail Allocation Factor	96.83%	
		South Carolina Retail
Levelized Revenue Requirement, incl One-Time Refund		
NPV of Revenue Requirement, incl One-Time Refund - Check		
Return Of and On Revenue Requirement, excl One-Time Refund		
NPV of Revenue Requirement, excl One-Time Refund		
Levelized Revenue Requirement, excl One-Time Refund		
NPV of Revenue Requirement, excl One-Time Refund - Check		
Regulatory Liability for Refund of Revised Rates*		
Add: Accumulated Amortization of Reg Liab for Refund of Rev Rates		
Add: ADIT on Reg Liab for Refund of Rev Rates		

	2018	2019	2020	2021	2022	2023	2024	2025
124,724	124,724	124,724	124,724	124,724	124,724	124,724	124,724	124,724
113,373	103,055	93,676	85,151	77,402	70,358	63,955		
308,228	308,227	308,236	308,236	308,235	308,234	308,234	308,203	
280,177	254,678	231,507	210,438	191,286	173,877	158,037		
277,545	277,545	277,545	277,545	277,545	277,545	277,545	277,545	
252,287	229,327	208,456	189,485	172,241	156,566	142,317		
(\$575,000)	(\$575,000)	(\$575,000)	(\$575,000)	(\$575,000)	(\$575,000)	(\$575,000)		
0	124,600	234,130	328,580	407,960	472,270	521,510	555,710	
143,463	112,375	85,047	61,482	41,676	25,631	13,346	4,813	

*Dominion proposed CCR Tariff does not subtract this regulatory liability from the Capital Cost Rate Base

**SOUTH CAROLINA ELECTRIC & GAS COMPANY
DOMINION/SCE&G MERGER CUSTOMER BENEFITS PLAN CALCULATED BY ORS
(\$ THOUSAND)**

**ORS SURREBUTTAL EXHIBIT LK-4
Page 3 of 6**

Allowed NND Costs at Dec 31, 2017 (Total Company) (\$000)	\$3,327,000
Transfers to Unit 1 and Transmission (Total Company)	(\$85,602)
NOL ADIT @ 21% (Total Company)	\$498,724
Excess NOL ADIT (Total Company)	\$304,423
Prior Combined Federal and State Income Tax Rate %	38.25%
Present Combined Federal and State Income Tax Rate %	24.95%
Amortization Period (Years) for Allowed NND Costs	20
Amortization Period (Years) for Reg Liability for Refund of Revised Rates	8
Amortization Start Year	2019
Amortization Start Year	10
Equity Capitalization %	52.81%
Equity Return %	10.25%
Debt Capitalization %	47.19%
Debt Return %	5.85%
Prior Gross-Up Factor	1.6194
Present Gross-Up Factor	1.3396
SC Retail Allocation Factor	96.83%

	2026	2027	2028	2029	2030	2031	2032	2033	2034
Regulatory Asset for NND Costs	3,138,646	3,138,646	3,138,646	3,138,646	3,138,646	3,138,646	3,138,646	3,138,646	3,138,646
Less: Accumulated Amortization of NND Costs	(1,255,458)	(1,412,391)	(1,569,323)	(1,726,255)	(1,883,187)	(2,040,120)	(2,197,052)	(2,353,384)	(2,510,917)
Less: ADIT on NND Costs	(720,319)	(660,293)	(600,266)	(540,239)	(480,213)	(420,186)	(360,160)	(300,133)	(240,106)
NOL ADIT @ 21%	289,749	265,603	241,457	217,312	193,166	169,020	144,874	120,729	96,583
Excess NOL ADIT	58,955	29,477	0	0	0	0	0	0	0
Total Rate Base End of Year	1,511,571	1,361,043	1,210,514	1,089,463	968,411	847,360	726,308	605,257	484,206
Total Rate Base Average Year	1,586,836	1,436,307	1,285,778	1,149,988	1,028,937	907,886	786,834	665,783	544,731
Grossed Up Rate of Return	10.01%	10.01%	10.01%	10.01%	10.01%	10.01%	10.01%	10.01%	10.01%
Return on Total Rate Base End of Year	158,872	143,802	128,731	115,136	103,016	90,897	78,777	66,658	54,538
NND Regulatory Asset Amortization Expense	156,932	156,932	156,932	156,932	156,932	156,932	156,932	156,932	156,932
Amortization Expense - Excess NOL ADIT (Grossed-Up to Revenue Equiv)	39,488	39,488	39,488	39,488	39,488	39,488	39,488	39,488	39,488
Amortization Expense - Excess ADIT, excl NOL ADIT (Grossed-Up to Revenue Equiv)	(27,960)	(27,960)	(27,960)	(27,960)	(27,960)	(27,960)	(27,960)	(27,960)	(27,960)
Total Amortization Expense	168,460	168,460	168,460	128,972	128,972	128,972	128,972	128,972	128,972
Refund of Revised Rates Reg Liability Amortization Expense (Estimated)	(19,200)	0	0	0	0	0	0	0	0
One-Time Refund	0	0	0	0	0	0	0	0	0
Return Of and On Revenue Requirement, incl One-Time Refund	308,133	312,262	297,191	244,108	231,989	219,869	207,749	195,630	183,510
NPV of Revenue Requirement, incl One-Time Refund	143,622	132,301	114,456	85,457	73,823	63,599	54,624	46,756	39,868

ELCTRONICALLY FILED - 2018 October 29 3:34 PM - SPCSC - Document # 2017-370-E - Page 65 of 92

**SOUTH CAROLINA ELECTRIC & GAS COMPANY
DOMINION/SCE&G MERGER CUSTOMER BENEFITS PLAN CALCULATED BY ORS
(\$ THOUSAND)**

**ORS SURREBUTTAL EXHIBIT LK-4
Page 4 of 6**

		2026	2027	2028	2029	2030	2031	2032	2033	2034
South Carolina Retail										
Allowed NND Costs at Dec 31, 2017 (Total Company) (\$000)		\$3,327,000								
Transfers to Unit 1 and Transmission (Total Company)		(\$85,602)								
NOL ADIT @ 21% (Total Company)		\$498,724								
Excess NOL ADIT (Total Company)		\$304,423								
Prior Combined Federal and State Income Tax Rate %		38.25%								
Present Combined Federal and State Income Tax Rate %		24.95%								
Amortization Period (Years) for Allowed NND Costs		20								
Amortization Period (Years) for Reg Liability for Refund of Revised Rates		8								
Amortization Period (Years) for NOL ADIT		10								
Amortization Start Year		2019								
Equity Capitalization %		52.81%								
Equity Return %		10.25%								
Debt Capitalization %		47.19%								
Debt Return %		5.85%								
Prior Gross-Up Factor		1.6194								
Present Gross-Up Factor		1.3396								
SC Retail Allocation Factor		96.83%								
Levelized Revenue Requirement, incl One-Time Refund										
124,724	124,724	124,724	124,724	124,724	124,724	124,724	124,724	124,724	124,724	
58,134	52,844	48,034	43,663	39,689	36,077	32,794	29,809	27,097		
308,133	312,262	297,191	244,108	231,989	219,869	207,749	195,630	183,510		
143,622	132,301	114,456	85,457	73,823	63,599	54,624	46,756	39,868		
277,545	277,545	277,545	277,545	277,545	277,545	277,545	277,545	277,545	277,545	
129,365	117,592	106,890	97,162	88,320	80,282	72,976	66,334	60,297		
(575,000)	(575,000)	(575,000)	(575,000)	(575,000)	(575,000)	(575,000)	(575,000)	(575,000)	(575,000)	
574,910	574,910	574,910	574,910	574,910	574,910	574,910	574,910	574,910	574,910	

*Dominion proposed CCR Tariff does not subtract this regulatory liability from the Capital Cost Rate Base

Regulatory Liability for Refund of Revised Rates*
Add: Accumulated Amortization of Reg Liab for Refund of Rev Rates
Add: ADIT on Reg Liab for Refund of Rev Rates

**SOUTH CAROLINA ELECTRIC & GAS COMPANY
DOMINION/SCE&G MERGER CUSTOMER BENEFITS PLAN CALCULATED BY ORS
(\$ THOUSAND)**

**ORS SURREBUTTAL EXHIBIT LK-4
Page 5 of 6**

	2035	2036	2037	2038	<u>Total</u>
Allowed NND Costs at Dec 31, 2017 (Total Company) (\$000)	\$3,327,000				
Transfers to Unit 1 and Transmission (Total Company)	(\$85,602)				
NOL ADIT @ 21% (Total Company)	\$498,724				
Excess NOL ADIT (Total Company)	\$304,423				
Prior Combined Federal and State Income Tax Rate %	38.25%				
Present Combined Federal and State Income Tax Rate %	24.95%				
Amortization Period (Years) for Allowed NND Costs	20				
Amortization Period (Years) for Reg Liability for Refund of Revised Rates	8				
Amortization Period (Years) for NOL ADIT	10				
Amortization Start Year	2019				
Equity Capitalization %	52.81%				
Equity Return %	10.25%				
Debt Capitalization %	47.19%				
Debt Return %	5.85%				
Prior Gross-Up Factor	1.6194				
Present Gross-Up Factor	1.3396				
SC Retail Allocation Factor	96.83%				
	South Carolina Retail				
Regulatory Asset for NND Costs	3,138,646	3,138,646	3,138,646	3,138,646	
Less: Accumulated Amortization of NND Costs	(2,667,849)	(2,824,781)	(2,981,713)	(3,138,646)	
Less: ADIT on NND Costs	(180,080)	(120,053)	(60,027)	(0)	
NOL ADIT @ 21%	72,437	48,291	24,146	0	
Excess NOL ADIT	0	0	0	0	
	363,154	242,103	121,051	0	
	423,680	302,629	181,577	60,526	
Total Rate Base Average Year	42,418	30,299	18,179	6,060	<u>2,571,472</u>
Grossed Up Rate of Return	10.01%	10.01%	10.01%	10.01%	
Return on Total Rate Base End of Year	156,932	156,932	156,932	156,932	3,138,646
NND Regulatory Asset Amortization Expense	(27,960)	(27,960)	(27,960)	(27,960)	
Amortization Expense - Excess NOL ADIT (Grossed-Up to Revenue Equiv)	128,972	128,972	128,972	128,972	
Amortization Expense - Excess ADIT, excl NOL ADIT (Grossed-Up to Revenue Equiv)	0	0	0	0	<u>(574,910)</u>
Total Amortization Expense	0	0	0	0	0
Refund of Revised Rates Reg Liability Amortization Expense (Estimated)	171,391	159,271	147,152	135,032	<u>3,670,886</u>
One-Time Refund	33,846	28,591	24,011	20,028	<u>1,060,983</u>
Return Of and On Revenue Requirement, incl One-Time Refund					
NPV of Revenue Requirement, incl One-Time Refund					

**SOUTH CAROLINA ELECTRIC & GAS COMPANY
DOMINION/SCE&G MERGER CUSTOMER BENEFITS PLAN CALCULATED BY ORS
(\$ THOUSAND)**

**ORS SURREBUTTAL EXHIBIT LK-4
Page 6 of 6**

		2035	2036	2037	2038	Total
Allowed NND Costs at Dec 31, 2017 (Total Company) (\$000)	\$3,327,000					
Transfers to Unit 1 and Transmission (Total Company)	(\$85,602)					
NOL ADIT @ 21% (Total Company)	\$498,724					
Excess NOL ADIT (Total Company)	\$304,423					
Prior Combined Federal and State Income Tax Rate %	38.25%					
Present Combined Federal and State Income Tax Rate %	24.95%					
Amortization Period (Years) for Allowed NND Costs	20					
Amortization Period (Years) for Reg Liability for Refund of Revised Rates	8					
Amortization Period (Years) for NOL ADIT	10					
Amortization Start Year	2019					
Equity Capitalization %	52.81%					
Equity Return %	10.25%					
Debt Capitalization %	47.19%					
Debt Return %	5.85%					
Prior Gross-Up Factor	1.6194					
Present Gross-Up Factor	1.3396					
SC Retail Allocation Factor	96.83%					
South Carolina Retail						
Levelized Revenue Requirement, incl One-Time Refund	124,724	124,724	124,724	124,724	124,724	2,494,478
NPV of Revenue Requirement, incl One-Time Refund - Check	24,631	22,389	20,351	18,499	18,499	1,060,983
Return Of and On Revenue Requirement, excl One-Time Refund	171,391	159,271	147,152	135,032	135,032	0
NPV of Revenue Requirement, excl One-Time Refund	33,846	28,591	24,011	20,028	20,028	2,360,983
Levelized Revenue Requirement, excl One-Time Refund	277,545	277,545	277,545	277,545	277,545	5,550,910
NPV of Revenue Requirement, excl One-Time Refund - Check	54,810	49,822	45,288	41,166	41,166	2,360,983
Regulatory Liability for Refund of Revised Rates*	(575,000)	(575,000)	(575,000)	(575,000)	(575,000)	
Add: Accumulated Amortization of Reg Liab for Refund of Rev Rates	574,910	574,910	574,910	574,910	574,910	
Add: ADIT on Reg Liab for Refund of Rev Rates	22	22	22	22	22	

*Dominion proposed CCR Tariff does not subtract this regulatory liability from the Capital Cost Rate Base

**SOUTH CAROLINA ELECTRIC & GAS COMPANY
DOMINION/SCE&G NO MERGER CUSTOMER BENEFITS PLAN CALCULATED BY ORS
(\$ THOUSAND)**

**ORS SURREBUTTAL EXHIBIT LK-5
Page 1 of 12**

Allowed NND Costs at Dec 31, 2017 (Total Company) (\$000)

Transfers to Unit 1 and Transmission (Total Company)

Toshiba Proceeds Offset to NND Costs (Total Company)

Estimated Contractor Lien Payments

NOL ADIT @ 21% (Total Company)

Excess NOL ADIT (Total Company)

Prior Combined Federal and State Income Tax Rate %

Present Combined Federal and State Income Tax Rate %

Amortization Period (Years) for Allowed NND Costs

Amortization Start Year

Equity Capitalization %

Equity Return %

Debt Capitalization %

Debt Return %

Prior Gross-Up Factor

Present Gross-Up Factor

SC Retail Allocation Factor

\$4,241,100 Source: resp to ORS 3-23; resp to ORS 1-126 (\$4,731.1 - \$490.0)

(\$85,602) Exhibit _____ (KRK-1)

(\$1,098,391) Source: resp to ORS 1-126

\$85,230 Source: resp to ORS 1-126

\$519,989 Source: resp to ORS 1-116 as corrected by ORS (see NOL ADIT tab)

\$304,423

38.25%

24.95%

50

10 Note: estimate; actual amortization based on taxable income of SCE&G, SCANA, and/or Dominion

2019

52.81%

10.25%

47.19%

5.85%

1,6194

1.3396

96.83%

South Carolina Retail

	2018	2019	2020	2021	2022	2023	2024	2025
Regulatory Asset for NND Costs	4,023,769	4,023,769	4,023,769	4,023,769	4,023,769	4,023,769	4,023,769	4,023,769
Less: Accumulated Amortization of NND Costs	0	(80,475)	(160,951)	(241,426)	(321,901)	(402,377)	(482,852)	(563,328)
Less: ADIT on NND Costs	(1,539,092)	(1,508,310)	(1,477,528)	(1,446,746)	(1,415,964)	(1,385,182)	(1,354,401)	(1,323,619)
Regulatory Liability for Toshiba Proceeds Net of Estimated Contractor Lien Payments	(981,044)	(981,044)	(981,044)	(981,044)	(981,044)	(981,044)	(981,044)	(981,044)
Add: Accumulated Amortization of Reg Liab for Return of Toshiba Proceeds	19,621	39,242	58,863	78,484	98,104	117,725	137,346	
Add: ADIT on Reg Liab for Return of Toshiba Proceeds	375,249	367,744	360,239	352,734	345,229	337,724	330,219	322,714
NOL ADIT @ 21%	503,505	493,435	483,365	473,295	463,225	453,155	443,085	433,015
Excess NOL ADIT	294,773	265,295	235,818	206,341	176,864	147,386	117,909	88,432
Total Rate Base End of Year	2,677,161	2,600,036	2,522,911	2,445,786	2,368,661	2,291,536	2,214,411	2,137,285
Total Rate Base Average Year	2,638,598	2,561,473	2,484,348	2,407,223	2,330,098	2,252,973	2,175,848	
Grossed Up Rate of Return	10.01%	10.01%	10.01%	10.01%	10.01%	10.01%	10.01%	10.01%
Return on Total Rate Base Average Year	264,174	256,452	248,731	241,009	233,287	225,565	217,844	
Amortization Expense - NND Regulatory Asset	80,475	80,475	80,475	80,475	80,475	80,475	80,475	80,475
Amortization Expense - Regulatory Liability for Toshiba Proceeds Net of Contractor Liens	(19,621)	(19,621)	(19,621)	(19,621)	(19,621)	(19,621)	(19,621)	(19,621)
Amortization Expense - Excess NOL ADIT (Grossed-Up to Revenue Equiv)	39,488	39,488	39,488	39,488	39,488	39,488	39,488	39,488
Amortization Expense - Excess ADIT, excl NOL ADIT (Grossed-Up to Revenue Equiv)	(10,842)	(10,842)	(10,842)	(10,842)	(10,842)	(10,842)	(10,842)	(10,842)
Total Amortization Expense	89,500	89,500	89,500	89,500	89,500	89,500	89,500	89,500
Return Of and On Revenue Requirement	353,674	345,952	338,231	330,509	322,787	315,066	307,344	
Applicants' Rate Proposal (\$413 Million Rev Rates Less \$83 Million Temporary Reduct)	330,000	330,000	338,231	330,509	322,787	315,066	307,344	
NPV of Revenue Requirement	299,968	272,668	254,035	225,644	200,317	177,731	157,597	

**SOUTH CAROLINA ELECTRIC & GAS COMPANY
DOMINION/SCE&G NO MERGER CUSTOMER BENEFITS PLAN CALCULATED BY ORS
(\$ THOUSAND)**

**ORS SURREBUTTAL EXHIBIT LK-5
Page 2 of 12**

Allowed NND Costs at Dec 31, 2017 (Total Company) (\$000)	\$4,241,100	Source: resp to ORS 3-23; resp to ORS 1-126 (\$4,731.1 - \$490.0)
Transfers to Unit 1 and Transmission (Total Company)	(\$85,602)	Exhibit <u>(KRK-1)</u>
Toshiba Proceeds Offset to NND Costs (Total Company)	(\$1,098,391)	Source: resp to ORS 1-126
Estimated Contractor Lien Payments	\$85,230	Source: resp to ORS 1-126
NOL ADIT @ 21% (Total Company)	\$519,989	Source: resp to ORS 1-116 as corrected by ORS (see NOL ADIT tab)
Excess NOL ADIT (Total Company)	\$304,423	
Prior Combined Federal and State Income Tax Rate %	38.25%	
Present Combined Federal and State Income Tax Rate %	24.95%	
Amortization Period (Years) for Allowed NND Costs	50	
Amortization Period (Years) for NOL ADIT	10	Note: estimate; actual amortization based on taxable income of SCE&G, SCANA, and/or Dominion
Amortization Start Year	2019	
Equity Capitalization %	52.81%	
Equity Return %	10.25%	
Debt Capitalization %	47.19%	
Debt Return %	5.85%	
Prior Gross-Up Factor	1.6194	
Present Gross-Up Factor	1.3396	
SC Retail Allocation Factor	96.83%	

	2018	2019	2020	2021	2022	2023	2024	2025
South Carolina Retail								
Levelized Revenue Requirement		272,093	272,093	272,093	272,093	272,093	272,093	272,093
NPV of Revenue Requirement - Check		247,331	224,822	204,361	185,763	168,857	153,490	139,521

**SOUTH CAROLINA ELECTRIC & GAS COMPANY
DOMINION/SCE&G NO MERGER CUSTOMER BENEFITS PLAN CALCULATED BY ORS
(\$ THOUSAND)**

**ORS SURREBUTTAL EXHIBIT LK-5
Page 3 of 12**

Allowed NND Costs at Dec 31, 2017 (Total Company) (\$000)	\$4,241,100
Transfers to Unit 1 and Transmission (Total Company)	(\$85,602)
Toshiba Proceeds Offset to NND Costs (Total Company)	(\$1,038,391)
Estimated Contractor Lien Payments	\$85,230
NOL ADIT @ 21% (Total Company)	\$519,989
Excess NOL ADIT (Total Company)	\$304,423
Prior Combined Federal and State Income Tax Rate %	38.25%
Present Combined Federal and State Income Tax Rate %	24.95%
Amortization Period (Years) for Allowed NND Costs	50
Amortization Period (Years) for NOL ADIT	10
Amortization Start Year	2019
Equity Capitalization %	52.81%
Equity Return %	10.25%
Debt Capitalization %	47.19%
Debt Return %	5.85%
Prior Gross-Up Factor	1.6194
Present Gross-Up Factor	1.3396
SC Retail Allocation Factor	96.83%

South Carolina Retail

	2026	2027	2028	2029	2030	2031	2032	2033	2034
Regulatory Asset for NND Costs	4,023,769	4,023,769	4,023,769	4,023,769	4,023,769	4,023,769	4,023,769	4,023,769	4,023,769
Less: Accumulated Amortization of NND Costs	(643,803)	(724,278)	(804,754)	(885,229)	(965,704)	(1,046,180)	(1,126,655)	(1,207,131)	(1,287,606)
Less: ADIT on NND Costs	(1,293,837)	(1,262,055)	(1,231,273)	(1,200,491)	(1,169,710)	(1,138,928)	(1,108,146)	(1,077,364)	(1,046,582)
Regulatory Liability for Toshiba Proceeds Net of Estimated Contractor Lien Payments	(981,044)	(981,044)	(981,044)	(981,044)	(981,044)	(981,044)	(981,044)	(981,044)	(981,044)
Add: Accumulated Amortization of Reg Liab for Return of Toshiba Proceeds	156,967	176,588	196,209	215,830	235,451	255,071	274,692	294,313	313,934
Add: ADIT on Reg Liab for Return of Toshiba Proceeds	315,209	307,704	300,199	292,694	285,189	277,684	270,179	262,674	255,169
NOL ADIT @ 21%	422,944	412,874	402,804	392,734	382,664	372,594	362,544	352,454	342,384
Excess NOL ADIT	58,955	29,477	0	0	0	0	0	0	0
Total Rate Base End of Year	2,060,160	1,983,035	1,905,910	1,858,263	1,810,615	1,762,967	1,715,319	1,667,672	1,620,024
Total Rate Base Average Year	2,058,723	2,021,598	1,944,473	1,882,086	1,834,439	1,786,791	1,739,143	1,691,495	1,643,848
Grossed Up Rate of Return	10.01%	10.01%	10.01%	10.01%	10.01%	10.01%	10.01%	10.01%	10.01%
Return on Total Rate Base Average Year	210,122	202,400	194,679	188,433	183,662	178,892	174,121	169,351	164,580
Amortization Expense - NND Regulatory Asset	80,475	80,475	80,475	80,475	80,475	80,475	80,475	80,475	80,475
Amortization Expense - Regulatory Liability for Toshiba Proceeds Net of Contractor Liens	(19,621)	(19,621)	(19,621)	(19,621)	(19,621)	(19,621)	(19,621)	(19,621)	(19,621)
Amortization Expense - Excess NOL ADIT (Grossed-Up to Revenue Equiv)	39,488	39,488	39,488	39,488	39,488	39,488	39,488	39,488	39,488
Amortization Expense - Excess ADIT, excl NOL ADIT (Grossed-Up to Revenue Equiv)	(10,842)	(10,842)	(10,842)	(10,842)	(10,842)	(10,842)	(10,842)	(10,842)	(10,842)
Total Amortization Expense	89,500	89,500	89,500	89,500	89,500	89,500	89,500	89,500	89,500
Return Of and On Revenue Requirement	299,622	291,901	284,179	238,445	233,675	228,904	224,134	219,363	214,593
Applicants' Rate Proposal (\$413 Million Rev Rates Less \$83 Million Temporary Reduct)	299,622	291,901	284,179	238,445	233,675	228,904	224,134	219,363	214,593
NPV of Revenue Requirement	139,655	123,674	109,445	83,474	74,359	66,212	58,932	52,429	46,621

ELCTRONICALLY FILED - 2018 OCTOBER 23 PM - SCPC - Doc# # 2017-370-E - Page 71 of 92

**SOUTH CAROLINA ELECTRIC & GAS COMPANY
DOMINION/SCE&G NO MERGER CUSTOMER BENEFITS PLAN CALCULATED BY ORS
(\$ THOUSAND)**

**ORS SURREBUTTAL EXHIBIT LK-5
Page 4 of 12**

Allowed NND Costs at Dec 31, 2017 (Total Company) (\$000)	\$4,241,100
Transfers to Unit 1 and Transmission (Total Company)	(\$85,602)
Toshiba Proceeds Offset to NND Costs (Total Company)	(\$1,098,391)
Estimated Contractor Lien Payments	\$85,230
NOL ADIT @ 21% (Total Company)	\$519,989
Excess NOL ADIT (Total Company)	\$304,423
Prior Combined Federal and State Income Tax Rate %	38.25%
Present Combined Federal and State Income Tax Rate %	24.95%
Amortization Period (Years) for Allowed NND Costs	50
Amortization Period (Years) for NOL ADIT	10
Amortization Start Year	2019
Equity Capitalization %	52.81%
Equity Return %	10.25%
Debt Capitalization %	47.19%
Debt Return %	5.85%
Prior Gross-Up Factor	1.6194
Present Gross-Up Factor	1.3396
SC Retail Allocation Factor	96.83%

	2026	2027	2028	2029	2030	2031	2032	2033	2034
South Carolina Retail									
Levelized Revenue Requirement	272,093	272,093	272,093	272,093	272,093	272,093	272,093	272,093	272,093
NPV of Revenue Requirement - Check	126,824	115,282	104,790	95,254	86,585	78,705	71,542	65,031	59,113

**SOUTH CAROLINA ELECTRIC & GAS COMPANY
DOMINION/SCE&G NO MERGER CUSTOMER BENEFITS PLAN CALCULATED BY ORS
(\$ THOUSAND)**

**ORS SURREBUTTAL EXHIBIT LK-5
Page 5 of 12**

Allowed NND Costs at Dec 31, 2017 (Total Company) (\$000)	\$4,241,100
Transfers to Unit 1 and Transmission (Total Company)	(\$85,602)
Toshiba Proceeds Offset to NND Costs (Total Company)	(\$1,038,391)
Estimated Contractor Lien Payments	\$85,230
NOL ADIT @ 21% (Total Company)	\$519,989
Excess NOL ADIT (Total Company)	\$304,423
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Amortization Period (Years) for Allowed NND Costs	50
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Amortization Start Year	2019
Equity Capitalization %	52.81%
Equity Return %	10.25%
Debt Capitalization %	47.19%
Debt Return %	5.85%
Prior Gross-Up Factor	1.6194
Present Gross-Up Factor	1.3396
SC Retail Allocation Factor	96.83%

South Carolina Retail

	2035	2036	2037	2038	2039	2040	2041	2042	2043
Regulatory Asset for NND Costs	4,023,769	4,023,769	4,023,769	4,023,769	4,023,769	4,023,769	4,023,769	4,023,769	4,023,769
Less: Accumulated Amortization of NND Costs	(1,368,081)	(1,448,557)	(1,529,032)	(1,609,507)	(1,689,983)	(1,770,458)	(1,850,934)	(1,931,409)	(2,011,84)
Less: ADIT on NND Costs	(1,015,800)	(985,019)	(954,237)	(923,455)	(892,673)	(861,891)	(831,109)	(800,328)	(769,546)
Regulatory Liability for Toshiba Proceeds Net of Estimated Contractor Lien Payments	(981,044)	(981,044)	(981,044)	(981,044)	(981,044)	(981,044)	(981,044)	(981,044)	(981,044)
Add: Accumulated Amortization of Reg Liab for Return of Toshiba Proceeds	333,555	353,176	372,797	392,418	412,038	431,659	451,280	470,901	490,522
Add: ADIT on Reg Liab for Return of Toshiba Proceeds	247,665	240,160	232,655	225,150	217,645	210,140	202,635	195,130	187,625
NOL ADIT @ 21%	332,314	322,243	312,173	302,103	292,033	281,963	271,893	261,823	251,753
Excess NOL ADIT	0	0	0	0	0	0	0	0	0
Total Rate Base End of Year	1,572,376	1,524,728	1,477,081	1,429,433	1,381,785	1,334,137	1,286,490	1,238,842	1,191,194
Total Rate Base Average Year	1,596,200	1,548,552	1,500,904	1,453,257	1,405,609	1,357,961	1,310,313	1,262,666	1,215,018
Grossed Up Rate of Return	10.01%	10.01%	10.01%	10.01%	10.01%	10.01%	10.01%	10.01%	10.01%
Return on Total Rate Base Average Year	159,810	155,040	150,269	145,499	140,728	135,958	131,187	126,417	121,646
Amortization Expense - NND Regulatory Asset	80,475	80,475	80,475	80,475	80,475	80,475	80,475	80,475	80,475
Amortization Expense - Regulatory Liability for Toshiba Proceeds Net of Contractor Liens	(19,621)	(19,621)	(19,621)	(19,621)	(19,621)	(19,621)	(19,621)	(19,621)	(19,621)
Amortization Expense - Excess NOL ADIT (Grossed-Up to Revenue Equiv)	(10,842)	(10,842)	(10,842)	(10,842)	(10,842)	(10,842)	(10,842)	(10,842)	(10,842)
Total Amortization Expense	50,012	50,012	50,012	50,012	50,012	50,012	50,012	50,012	50,012
Return Of and On Revenue Requirement	209,822	205,052	200,281	195,511	190,741	185,970	181,200	176,429	171,659
Applicants' Rate Proposal (\$413 Million Rev Rates Less \$83 Million Temporary Reduct)	209,822	205,052	200,281	195,511	190,741	185,970	181,200	176,429	171,659
NPV of Revenue Requirement	41,436	36,809	32,680	28,999	25,716	22,791	20,186	17,866	15,801

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**SOUTH CAROLINA ELECTRIC & GAS COMPANY
DOMINION/SCE&G NO MERGER CUSTOMER BENEFITS PLAN CALCULATED BY ORS
(\$ THOUSAND)**

**ORS SURREBUTTAL EXHIBIT LK-5
Page 6 of 12**

Allowed NND Costs at Dec 31, 2017 (Total Company) (\$000)	\$4,241,100
Transfers to Unit 1 and Transmission (Total Company)	(\$85,602)
Toshiba Proceeds Offset to NND Costs (Total Company)	(\$1,098,391)
Estimated Contractor Lien Payments	\$85,230
NOL ADIT @ 21% (Total Company)	\$519,989
Excess NOL ADIT (Total Company)	\$304,423
Prior Combined Federal and State Income Tax Rate %	38.25%
Present Combined Federal and State Income Tax Rate %	24.95%
Amortization Period (Years) for Allowed NND Costs	50
Amortization Period (Years) for NOL ADIT	10
Amortization Start Year	2019
Equity Capitalization %	52.81%
Equity Return %	10.25%
Debt Capitalization %	47.19%
Debt Return %	5.85%
Prior Gross-Up Factor	1.6194
Present Gross-Up Factor	1.3396
SC Retail Allocation Factor	96.83%

	2035	2036	2037	2038	2039	2040	2041	2042	2043
South Carolina Retail									
Levelized Revenue Requirement	272,093	272,093	272,093	272,093	272,093	272,093	272,093	272,093	272,093
NPV of Revenue Requirement - Check	53,733	48,843	44,398	40,357	36,685	33,346	30,311	27,553	25,045

**SOUTH CAROLINA ELECTRIC & GAS COMPANY
DOMINION/SCE&G NO MERGER CUSTOMER BENEFITS PLAN CALCULATED BY ORS
(\$ THOUSAND)**

**ORS SURREBUTTAL EXHIBIT LK-5
Page 7 of 12**

Allowed NND Costs at Dec 31, 2017 (Total Company) (\$000)	\$4,241,100
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Present Combined Federal and State Income Tax Rate %	24.95%
Amortization Period (Years) for Allowed NND Costs	50
Amortization Period (Years) for NOL ADIT	10
Amortization Start Year	2019
Equity Capitalization %	52.81%
Equity Return %	10.25%
Debt Capitalization %	47.19%
Debt Return %	5.85%
Prior Gross-Up Factor	1.6194
Present Gross-Up Factor	1.3396
SC Retail Allocation Factor	96.83%

South Carolina Retail

	2044	2045	2046	2047	2048	2049	2050	2051	2052
Regulatory Asset for NND Costs	4,023,769	4,023,769	4,023,769	4,023,769	4,023,769	4,023,769	4,023,769	4,023,769	4,023,769
Less: Accumulated Amortization of NND Costs	(2,092,360)	(2,172,835)	(2,253,310)	(2,333,786)	(2,414,261)	(2,494,737)	(2,575,212)	(2,655,687)	(2,736,163)
Less: ADIT on NND Costs	(738,764)	(707,982)	(677,200)	(646,418)	(615,637)	(584,855)	(554,073)	(523,291)	(492,509)
Regulatory Liability for Toshiba Proceeds Net of Estimated Contractor Lien Payments	(981,044)	(981,044)	(981,044)	(981,044)	(981,044)	(981,044)	(981,044)	(981,044)	(981,044)
Add: Accumulated Amortization of Reg Liab for Return of Toshiba Proceeds	510,143	529,764	549,385	569,005	588,626	608,247	627,868	647,489	667,110
Add: ADIT on Reg Liab for Return of Toshiba Proceeds	180,120	172,615	165,110	157,605	150,100	142,595	135,090	127,585	120,080
NOL ADIT @ 21%	241,683	231,612	221,542	211,472	201,402	191,332	181,262	171,192	161,122
Excess NOL ADIT	0	0	0	0	0	0	0	0	0
Total Rate Base End of Year	1,143,546	1,095,898	1,048,251	1,000,603	952,955	905,307	857,660	810,012	762,364
Total Rate Base Average Year	1,167,370	1,119,722	1,072,075	1,024,427	976,779	929,131	881,484	833,836	786,188
Grossed Up Rate of Return	10.01%	10.01%	10.01%	10.01%	10.01%	10.01%	10.01%	10.01%	10.01%
Return on Total Rate Base Average Year	116,876	112,106	107,335	102,565	97,794	93,024	88,253	83,483	78,712
Amortization Expense - NND Regulatory Asset	80,475	80,475	80,475	80,475	80,475	80,475	80,475	80,475	80,475
Amortization Expense - Regulatory Liability for Toshiba Proceeds Net of Contractor Liens	(19,621)	(19,621)	(19,621)	(19,621)	(19,621)	(19,621)	(19,621)	(19,621)	(19,621)
Amortization Expense - Excess NOL ADIT (Grossed-Up to Revenue Equiv)	(10,842)	(10,842)	(10,842)	(10,842)	(10,842)	(10,842)	(10,842)	(10,842)	(10,842)
Total Amortization Expense	50,012	50,012	50,012	50,012	50,012	50,012	50,012	50,012	50,012
Return Of and On Revenue Requirement	166,888	162,118	157,347	152,577	147,806	143,036	138,266	133,495	128,725
Applicants' Rate Proposal (\$413 Million Rev Rates Less \$83 Million Temporary Reduct)	166,888	162,118	157,347	152,577	147,806	143,036	138,266	133,495	128,725
NPV of Revenue Requirement	13,963	12,330	10,878	9,588	8,443	7,427	6,526	5,727	5,020

**SOUTH CAROLINA ELECTRIC & GAS COMPANY
DOMINION/SCE&G NO MERGER CUSTOMER BENEFITS PLAN CALCULATED BY ORS
(\$ THOUSAND)**

**ORS SURREBUTTAL EXHIBIT LK-5
Page 8 of 12**

Allowed NND Costs at Dec 31, 2017 (Total Company) (\$000)	\$4,241,100
Transfers to Unit 1 and Transmission (Total Company)	(\$85,602)
Toshiba Proceeds Offset to NND Costs (Total Company)	(\$1,098,391)
Estimated Contractor Lien Payments	\$85,230
NOL ADIT @ 21% (Total Company)	\$519,989
Excess NOL ADIT (Total Company)	\$304,423
Prior Combined Federal and State Income Tax Rate %	38.25%
Present Combined Federal and State Income Tax Rate %	24.95%
Amortization Period (Years) for Allowed NND Costs	50
Amortization Period (Years) for NOL ADIT	10
Amortization Start Year	2019
Equity Capitalization %	52.81%
Equity Return %	10.25%
Debt Capitalization %	47.19%
Debt Return %	5.85%
Prior Gross-Up Factor	1.6194
Present Gross-Up Factor	1.3396
SC Retail Allocation Factor	96.83%

	2044	2045	2046	2047	2048	2049	2050	2051	2052
South Carolina Retail									
Levelized Revenue Requirement	272,093	272,093	272,093	272,093	272,093	272,093	272,093	272,093	272,093
NPV of Revenue Requirement - Check	22,766	20,694	18,811	17,099	15,543	14,128	12,842	11,674	10,611

**SOUTH CAROLINA ELECTRIC & GAS COMPANY
DOMINION/SCE&G NO MERGER CUSTOMER BENEFITS PLAN CALCULATED BY ORS
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**ORS SURREBUTTAL EXHIBIT LK-5
Page 9 of 12**

Allowed NND Costs at Dec 31, 2017 (Total Company) (\$000)	\$4,241,100
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Debt Capitalization %	47.19%
Debt Return %	5.85%
Prior Gross-Up Factor	1.6194
Present Gross-Up Factor	1.3396
SC Retail Allocation Factor	96.83%

South Carolina Retail

	2053	2054	2055	2056	2057	2058	2059	2060	2061
Regulatory Asset for NND Costs	4,023,769	4,023,769	4,023,769	4,023,769	4,023,769	4,023,769	4,023,769	4,023,769	4,023,769
Less: Accumulated Amortization of NND Costs	(2,816,638)	(2,897,113)	(2,977,589)	(3,058,064)	(3,138,540)	(3,219,015)	(3,299,490)	(3,379,966)	(3,460,441)
Less: ADIT on NND Costs	(461,727)	(430,946)	(400,164)	(369,382)	(338,600)	(307,818)	(277,036)	(246,255)	(215,473)
Regulatory Liability for Toshiba Proceeds Net of Estimated Contractor Lien Payments	(981,044)	(981,044)	(981,044)	(981,044)	(981,044)	(981,044)	(981,044)	(981,044)	(981,044)
Add: Accumulated Amortization of Reg Liab for Return of Toshiba Proceeds	686,731	706,352	725,972	745,593	765,214	784,835	804,456	824,077	843,698
Add: ADIT on Reg Liab for Return of Toshiba Proceeds	112,575	105,070	97,555	90,060	82,555	75,050	67,545	60,040	52,535
NOL ADIT @ 21%	151,052	140,981	130,911	120,841	110,771	100,701	90,631	80,561	70,491
Excess NOL ADIT	0	0	0	0	0	0	0	0	0
Total Rate Base End of Year	714,716	667,069	619,421	571,773	524,125	476,478	428,830	381,182	333,534
Total Rate Base Average Year	738,540	690,893	643,245	595,597	547,949	500,301	452,654	405,006	357,358
Grossed Up Rate of Return	10.01%	10.01%	10.01%	10.01%	10.01%	10.01%	10.01%	10.01%	10.01%
Return on Total Rate Base Average Year	73,942	69,171	64,401	59,631	54,860	50,090	45,319	40,549	35,778
Amortization Expense - NND Regulatory Asset	80,475	80,475	80,475	80,475	80,475	80,475	80,475	80,475	80,475
Amortization Expense - Regulatory Liability for Toshiba Proceeds Net of Contractor Liens	(19,621)	(19,621)	(19,621)	(19,621)	(19,621)	(19,621)	(19,621)	(19,621)	(19,621)
Amortization Expense - Excess NOL ADIT (Grossed-Up to Revenue Equiv)	(10,842)	(10,842)	(10,842)	(10,842)	(10,842)	(10,842)	(10,842)	(10,842)	(10,842)
Total Amortization Expense	50,012	50,012	50,012	50,012	50,012	50,012	50,012	50,012	50,012
Return Of and On Revenue Requirement	123,954	119,184	114,413	109,643	104,872	100,102	95,332	90,561	85,791
Applicants' Rate Proposal (\$413 Million Rev Rates Less \$83 Million Temporary Reduct)	123,954	119,184	114,413	109,643	104,872	100,102	95,332	90,561	85,791
NPV of Revenue Requirement	4,394	3,841	3,351	2,919	2,538	2,202	1,906	1,646	1,418

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**SOUTH CAROLINA ELECTRIC & GAS COMPANY
DOMINION/SCE&G NO MERGER CUSTOMER BENEFITS PLAN CALCULATED BY ORS
(\$ THOUSAND)**

**ORS SURREBUTTAL EXHIBIT LK-5
Page 10 of 12**

Allowed NND Costs at Dec 31, 2017 (Total Company) (\$000)	\$4,241,100
Transfers to Unit 1 and Transmission (Total Company)	(\$85,602)
Toshiba Proceeds Offset to NND Costs (Total Company)	(\$1,098,391)
Estimated Contractor Lien Payments	\$85,230
NOL ADIT @ 21% (Total Company)	\$519,989
Excess NOL ADIT (Total Company)	\$304,423
Prior Combined Federal and State Income Tax Rate %	38.25%
Present Combined Federal and State Income Tax Rate %	24.95%
Amortization Period (Years) for Allowed NND Costs	50
Amortization Period (Years) for NOL ADIT	10
Amortization Start Year	2019
Equity Capitalization %	52.81%
Equity Return %	10.25%
Debt Capitalization %	47.19%
Debt Return %	5.85%
Prior Gross-Up Factor	1.6194
Present Gross-Up Factor	1.3396
SC Retail Allocation Factor	96.83%

	2053	2054	2055	2056	2057	2058	2059	2060	2061
South Carolina Retail									
Levelized Revenue Requirement	272,093	272,093	272,093	272,093	272,093	272,093	272,093	272,093	272,093
NPV of Revenue Requirement - Check	9,646	8,768	7,970	7,245	6,585	5,986	5,441	4,946	4,496

**SOUTH CAROLINA ELECTRIC & GAS COMPANY
DOMINION/SCE&G NO MERGER CUSTOMER BENEFITS PLAN CALCULATED BY ORS
(\$ THOUSAND)**

**ORS SURREBUTTAL EXHIBIT LK-5
Page 11 of 12**

Allowed NND Costs at Dec 31, 2017 (Total Company) (\$000)	\$4,241,100
Transfers to Unit 1 and Transmission (Total Company)	(\$85,602)
Toshiba Proceeds Offset to NND Costs (Total Company)	(\$1,038,391)
Estimated Contractor Lien Payments	\$85,230
NOL ADIT @ 21% (Total Company)	\$519,989
Excess NOL ADIT (Total Company)	\$304,423
Prior Combined Federal and State Income Tax Rate %	38.25%
Present Combined Federal and State Income Tax Rate %	24.95%
Amortization Period (Years) for Allowed NND Costs	50
Amortization Period (Years) for NOL ADIT	10
Amortization Start Year	2019
Equity Capitalization %	52.81%
Equity Return %	10.25%
Debt Capitalization %	47.19%
Debt Return %	5.85%
Prior Gross-Up Factor	1.6194
Present Gross-Up Factor	1.3396
SC Retail Allocation Factor	96.83%

South Carolina Retail

	2062	2063	2064	2065	2066	2067	2068	Total
Regulatory Asset for NND Costs	4,023,769	4,023,769	4,023,769	4,023,769	4,023,769	4,023,769	4,023,769	4,023,769
Less: Accumulated Amortization of NND Costs	(3,540,916)	(3,621,392)	(3,701,867)	(3,782,343)	(3,862,818)	(3,943,293)	(4,023,769)	(4,023,769)
Less: ADIT on NND Costs	(184,691)	(153,909)	(123,127)	(92,345)	(61,564)	(30,782)		
Regulatory Liability for Toshiba Proceeds Net of Estimated Contractor Lien Payments	(981,044)	(981,044)	(981,044)	(981,044)	(981,044)	(981,044)	(981,044)	0
Add: Accumulated Amortization of Reg Liab for Return of Toshiba Proceeds	863,319	882,939	902,560	922,181	941,802	961,423	981,044	
Add: ADIT on Reg Liab for Return of Toshiba Proceeds	45,030	37,525	30,020	22,515	15,010	7,505	(0)	
NOL ADIT @ 21%	60,421	50,351	40,280	30,210	20,140	10,070	0	
Excess NOL ADIT	0	0	0	0	0	0	0	
Total Rate Base End of Year	285,887	238,239	190,591	142,943	95,296	47,648	(0)	
Total Rate Base Average Year	309,710	262,063	214,415	166,767	119,119	71,472	23,824	
Grossed Up Rate of Return								
Return on Total Rate Base Average Year	10.01%	10.01%	10.01%	10.01%	10.01%	10.01%	10.01%	10.01%
Amortization Expense - NND Regulatory Asset	80,475	80,475	80,475	80,475	80,475	80,475	80,475	80,475
Amortization Expense - Regulatory Liability for Toshiba Proceeds Net of Contractor Liens	(19,621)	(19,621)	(19,621)	(19,621)	(19,621)	(19,621)	(19,621)	(19,621)
Amortization Expense - Excess NOL ADIT (Grossed-Up to Revenue Equiv)	(10,842)	(10,842)	(10,842)	(10,842)	(10,842)	(10,842)	(10,842)	(10,842)
Total Amortization Expense	50,012	50,012	50,012	50,012	50,012	50,012	50,012	50,012
Return Of and On Revenue Requirement	81,020	76,250	71,479	66,709	61,938	57,168	52,398	9,153,346
Applicants' Rate Proposal (\$413 Million Rev Rates Less \$83 Million Temporary Reduct)	81,020	76,250	71,479	66,709	61,938	57,168	52,398	
NPV of Revenue Requirement	1,217	1,041	887	753	635	533	444	2,694,672

**SOUTH CAROLINA ELECTRIC & GAS COMPANY
DOMINION/SCE&G NO MERGER CUSTOMER BENEFITS PLAN CALCULATED BY ORS
(\$ THOUSAND)**

**ORS SURREBUTTAL EXHIBIT LK-5
Page 12 of 12**

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Transfers to Unit 1 and Transmission (Total Company)	(\$85,602)
Toshiba Proceeds Offset to NND Costs (Total Company)	(\$1,098,391)
Estimated Contractor Lien Payments	\$85,230
NOL ADIT @ 21% (Total Company)	\$519,989
Excess NOL ADIT (Total Company)	\$304,423
Prior Combined Federal and State Income Tax Rate %	38.25%
Present Combined Federal and State Income Tax Rate %	24.95%
Amortization Period (Years) for Allowed NND Costs	50
Amortization Period (Years) for NOL ADIT	10
Amortization Start Year	2019
Equity Capitalization %	52.81%
Equity Return %	10.25%
Debt Capitalization %	47.19%
Debt Return %	5.85%
Prior Gross-Up Factor	1.6194
Present Gross-Up Factor	1.3396
SC Retail Allocation Factor	96.83%

	2062	2063	2064	2065	2066	2067	2068	Total
Levelized Revenue Requirement	272,093	272,093	272,093	272,093	272,093	272,093	272,093	13,604,664
NPV of Revenue Requirement - Check	4,087	3,715	3,377	3,069	2,790	2,536	2,305	2,694,672

South Carolina Retail

ORS SURREBUTTAL EXHIBIT LK-6

Page 1 of 1

**SOUTH CAROLINA ELECTRIC & GAS COMPANY / S.C. FUEL COMPANY
REGULATORY STATEMENT OF LONG-TERM DEBT CAPITAL
8/31/2018**

ORS SURREBUTTAL EXHIBIT LK-7**Page 1 of 1**

**SOUTH CAROLINA ELECTRIC & GAS COMPANY
OFFICE OF REGULATORY STAFF'S CONTINUING
AUDIT INFORMATION REQUEST**
DOCKET NO. 2017-207-E (8th Continuing AIR)
DOCKET NO. 2017-305-E (7th Continuing AIR)
DOCKET NO. 2017-370-E (7th Continuing AIR)

REQUEST 7-13:

Provide a schedule that allocates the NOL asset ADIT at December 31, 2017 between NND project costs and non-NND project costs using a "but for" approach where the taxable income for each tax year since NND construction expenditures commenced is adjusted to remove the income and deductions related to the NND project provided in response to the immediately preceding question. Separately show the effects on the NOL asset ADIT of taxable losses in any year that were carried back to and utilized in prior years or carried forward to and utilized in future years by tax year, as well as the loss carryforward balance at the end of each tax year. Provide all data, assumptions, and calculations, including electronic spreadsheets in live format with all formulas intact.

RESPONSE 7-13:

The Company has considered the NOL ADIT asset as being fully allocable to NND project costs. The Company would not be in an NOL situation but for costs associated with the NND project.

RESPONSIBLE PERSON:

Virginia Smith

ORS SURREBUTTAL EXHIBIT LK-8**Page 1 of 9****MERGER CONDITIONS RECOMMENDED BY ORS****Ratemaking Conditions Related to Recovery of NND Costs and Related Regulatory Liabilities, Tax Savings, and Merger Savings**

- Reduce SCE&G rates to electric customers by \$193.5 million (from present rates, including experimental rates) in the first billing cycle following the Order issued on or before December 21, 2018 in this proceeding, followed by an increase of \$33.1 million in the first billing cycle in 2020 (for a net reduction from present rates, including experimental rates, of \$160.4 million in 2020). This net rate reduction reflects the termination of the existing revised rates and the termination of the temporary rate reduction reflected in the experimental rates adopted pursuant to Act 258; provides the Company recovery of its allowed NND abandonment costs less related regulatory liabilities on a levelized (annuitized) basis over 20 years; recognizes the annual savings in base rates due to the TCJA going forward; recognizes estimated savings from the merger starting at \$35 million in 2019 and growing to \$70 million in 2020; and provides a one-time credit/refund for the savings due to the TCJA in 2018 that was subject to deferral as a regulatory liability pursuant to the Commission's Order No. 2018-308 in Docket No. 2017-381-A.
- Terminate SCE&G revised rates for grossed-up return on NND costs at \$413 million annually.
- Terminate SCE&G revised rates for grossed-up return on BLRA transmission costs of \$32 million annually.
- Terminate SCE&G experimental rates of negative \$367.4 million annually.
- Authorize SCE&G rate increase of \$85.9 million in the form of a new Capital Cost Recovery Rider ("CCR Rider") to recover the allowed NND costs less related regulatory liabilities on the effective date when rates are reset in this proceeding. The Commission shall authorize this recovery over 20 years on a levelized (annuitized) basis using a fixed rate of return that includes a 52.81% equity ratio and a long-term debt ratio of 47.19%, a return on equity of 9.1%, and a cost of debt of 5.56%, which includes a revision to incorporate SCE&G's recent debt issuances. The Commission should include all effects of the TCJA on the NND costs and regulatory liabilities in the CCR Rider, including the reduction in the federal income tax rate on the income tax expense resulting from the equity return and the amortization of excess liability and asset net operating loss ("NOL") accumulated deferred income taxes ("ADIT").
- Direct SCE&G to exclude NOL ADIT from CCR Rider rate base related to the disallowed NND costs as if they never had been incurred or deducted either as research and experimentation or abandonment loss deductions. In addition, direct SCE&G to exclude NOL ADIT from rate base related to one-time rate credit or

ORS SURREBUTTAL EXHIBIT LK-8**Page 2 of 9**

refund, if any. Further, the calculation of these exclusions shall be off the top of the NOL ADIT as it is amortized in future years. In other words, SCE&G is to assume that none of the NOL ADIT related to the disallowed costs and related to the one-time rate credit or refund, if any, is used by SCE&G, SCANA, or Dominion until after the NOL ADIT related to the allowed NND costs is fully utilized.

- The following methodology shall be used to quantify the NOL ADIT related to the \$1.3 billion one-time rate credit. The \$1.3 billion deduction shall be the last deduction in the calculation of the NOL ADIT for ratemaking purposes. The NOL ADIT caused by all other allowed deductions shall be amortized (realized) first and used to reduce the NOL ADIT that is included in rate base. The allowed NND cost NOL ADIT shall be amortized (realized) first, then the disallowed NND cost NOL ADIT, and then the \$1.3 billion NOL ADIT. The sequence of the last two is not important for ratemaking purposes as long as both NOL ADIT amounts are excluded
- Direct SCE&G to defer the BLRA transmission revenue requirement, including a long-term debt rate of return, consistent with the termination of the revised rates and to be considered in a subsequent base rate proceeding. The Commission shall address the prudence and recovery of these transmission costs in that future proceeding. The Commission shall authorize SCE&G to defer a rate of return using the cost of long-term debt, depreciation, incremental operation and maintenance (“O&M”) expenses, other incremental taxes expense (payroll and property tax expenses), and other incremental operating expenses, e.g., insurance expense, until the effective date when rates are reset to include the allowed amount of these costs in a future base rate proceeding.
- Direct SCE&G to securitize the allowed NND abandonment costs if South Carolina enacts enabling legislation, without reduction for regulatory liabilities and ADIT. The regulatory liabilities and ADIT would not be used to reduce the amount of securitization financing and instead would be subtracted from rate base, subject to the grossed-up rate of return for the NND costs less regulatory liabilities if securitization financing is not available.
- Authorize SCE&G rate increase of \$35.0 million to \$52.1 million in the form of a securitization tariff to collect the amounts sufficient to repay the NND costs and a CCR surcredit (negative rate) rider for the regulatory liabilities, or its ratemaking equivalent. The range is due to the estimated range in potential securitization interest rates and includes an increment for the estimated “make-whole” penalties to prematurely redeem outstanding long-term debt with the securitization proceeds.
- Authorize a rate reduction of \$98.7 million in the form of a Tax Savings Rider for the base rate savings due to the TCJA unrelated to the NND costs and related regulatory liabilities. The income tax savings include the reduction in income tax expense and the amortization of excess ADIT. The Tax Savings Rider will remain in place until base rates are reset to reflect these savings in a future base rate proceeding.

ORS SURREBUTTAL EXHIBIT LK-8**Page 3 of 9**

- Include the income tax savings related to the NND costs and related regulatory liabilities in the CCR Rider and reject the Applicants' proposed NND Tax Rider.
- Authorize an electric rate reduction of \$35 million in the first year and \$70 million in the second year and annually thereafter in the form of a Merger Savings Rider for the estimated savings in operating expenses if the Merger is implemented. The Merger Savings Rider will remain in place until base rates are reset to reflect these savings in a future base rate proceeding.
- Authorize a one-time refund of \$68.2 million for the base rate and revised rate income tax savings in 2018 due to the TCJA. The income tax savings includes the reduction in income tax expense for base rates and revised rates and the amortization of protected excess ADIT for base rates. It does not include the amortization of unprotected excess ADIT.
- Deny SCE&G recovery or ability to seek recovery of additional NND costs incurred after September 30, 2017 in conjunction with its commitment that it has written off all costs related to the project since that date. This includes any costs that may be incurred in the future, including, but not limited to, sales tax on the NND costs and demolition or decommissioning costs related to the abandoned physical assets. Such additional NND costs shall be precluded from recovery through the CCR Rider or otherwise.

Ratemaking Conditions Related to Base Rate Case Stayout If Merger Is Approved

- Except for rate adjustments for fuel and environmental costs, demand side management costs and other rates routinely adjusted on an annual or biannual basis, SCE&G will commit to freezing retail electric base rates at current levels until January 1, 2021.
- SCE&G shall be precluded from seeking new deferrals for costs that historically have been recovered through base rates for the same two year period.

Ratemaking Conditions Related to Merger Acquisition Premium, Goodwill, Transaction, and Transition Costs

- SCE&G will not seek recovery of any acquisition premium (goodwill) costs, transaction costs, or transition costs associated with the combination from its customers.¹

¹ Page 17, Direct Testimony of James R. Chapman on Behalf of Dominion Energy, Inc., Docket No. 2017-370-E.

ORS SURREBUTTAL EXHIBIT LK-8**Page 4 of 9**

- The following definition of acquisition premium (goodwill) costs shall apply. As defined in Accounting Standards Codification Topic 805, *Business Combinations*, goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The terms goodwill and acquisition premium are used interchangeably for ratemaking purposes. Goodwill will not be determined until the closing date of the transaction at which time it will be based on the fair value of SCANA's identifiable assets and liabilities as determined by a third-party valuation.
- Dominion Energy will not record any portion of the purchase price allocation adjustments (fair value adjustments including goodwill) associated with the Merger on SCANA or SCE&G's books and is planning to make the required accounting entries associated with the Merger on that basis.
- Neither SCANA nor SCE&G will seek recovery of any acquisition premium (goodwill) or any other fair value adjustments associated with the Merger from its customers.
- The following definition of transaction costs shall apply. Transaction costs include costs incurred in connection with completion of the acquisition by Dominion Energy, Inc. of the equity interests of SCANA Corporation, including costs of obtaining all necessary regulatory approvals for the merger. Examples of such costs include legal fees and expenses, regulatory filing fees and costs of developing and pursuing regulatory approvals, accounting fees, costs related to securities issuances and proxy solicitations, financial advisory fees and investment banking fees.
- Any transaction costs related to the merger will be incurred and expensed at the respective Dominion Energy, Inc. and SCANA Corporation corporate (Holding Company) level. As such, SCE&G will not seek recovery of these costs from customers. Neither Dominion Energy, Inc. nor SCANA Corporation have specific FERC financial reporting requirements at the Holding Company level, although SCANA Corporation does maintain its Holding Company general ledger utilizing the FERC Uniform System of Accounts. As such, these transaction costs have been and are being recorded on SCANA's general ledger to account 426.5 - Other Deductions which is a below-the-line nonutility account number. Regardless of the account number used at either the Dominion Energy or SCANA Holding Company level, these costs are not passed down to any Dominion or SCANA subsidiary company. Similarly, due to the nature of the costs incurred, some may originate at Dominion Energy Services, Inc. (DES) or SCANA Services, Inc. (SSCO) and will be charged to the respective Holding Company.
- The following definition of transition costs shall apply. Transition costs are generally costs arising from the activities necessary to integrate the purchased entity into the acquiring entity. Examples of transition costs include those related to, but not limited to, the integration of financial, IT, human resource, billing, accounting, and telecommunications systems and processes. Other costs could include severance

ORS SURREBUTTAL EXHIBIT LK-8**Page 5 of 9**

payments to employees and costs related to changes to signage, changes to employee benefit plans and termination of any duplicative leases, contracts, operations, etc.

- Generally, transition costs related to the merger will be incurred and expensed at the respective Dominion Energy, Inc. and SCANA Corporation corporate (Holding Company) level and will not be pushed down or charged to SCE&G or any other SCANA or Dominion subsidiary company. As such, SCE&G will not seek recovery of these costs from customers. Neither Dominion Energy, Inc. nor SCANA Corporation have specific FERC financial reporting requirements at the Holding Company level, although SCANA Corporation does maintain its Holding Company general ledger utilizing the FERC Uniform System of Accounts. Accordingly, these transition costs have been and are being recorded on SCANA's general ledger to account 426.5 - Other Deductions which is a below-the-line nonutility account number. Similarly, due to the nature of the costs incurred, some may originate at Dominion Energy Services, Inc. (DES) or SCANA Services, Inc. (SSCO) and will be charged to the respective Holding Company. Any transition costs and one-time charges attributable to the Customer Benefits Plan that are required to be recorded on the books of SCE&G under Generally Accepted Accounting Principles will be reflected on SCE&G's books below-the-line in FERC account 426.5 - Other Deductions to ensure the amounts are excluded from rate recovery.

Conditions Affecting the Cost of New Generating Capacity

- The approximately \$180 million initial capital investment in the Columbia Energy Center, a 540-MW combined-cycle, natural gas-fired power plant located in Gaston, South Carolina, will be excluded from rate base and rate recovery, with only the ongoing costs such as fuel costs, operations and maintenance expense, and maintenance or improvement capital investments associated with the plant to be recovered in future base and fuel rates.

Conditions Affecting Affiliate Transactions

- SCE&G shall not be the guarantor of any debt of Dominion Energy, Inc. or any other Dominion affiliates.
- SCE&G shall make a filing with the Commission to seek approval for any proposed structural reorganization and shall not implement such reorganization until the Commission issues an order approving, rejecting, or modifying the planned reorganization.
- Dominion Services, Inc. shall not modify its CAM or its affiliate billing practices to charge SCE&G a rate of return on rate base.

ORS SURREBUTTAL EXHIBIT LK-8**Page 6 of 9**

- Dominion Energy, Inc., SCE&G, and its affiliates shall abide by the following standards regarding affiliate transactions as depicted in the NARUC's Guidelines for Cost Allocations and Affiliate Transactions unless as otherwise directed by the Commission.
 1. Generally, the price for services, products and the use of assets provided by a regulated entity to its non-regulated affiliates should be at the higher of fully allocated costs or prevailing market prices. Under appropriate circumstances, prices could be based on incremental cost, or other pricing mechanisms as determined by the regulator.
 2. Generally, the price for services, products and the use of assets provided by a non-regulated affiliate to a regulated affiliate should be at the lower of fully allocated cost or prevailing market prices. Under appropriate circumstances, prices could be based on incremental cost, or other pricing mechanisms as determined by the regulator.
 3. Generally, transfer of a capital asset from the utility to its non-regulated affiliate should be at the greater of prevailing market price or net book value, except as otherwise required by law or regulation. Generally, transfer of assets from an affiliate to the utility should be at the lower of prevailing market price or net book value, except as otherwise required by law or regulation. To determine prevailing market value, an appraisal should be required at certain value thresholds as determined by regulators.
 4. Entities should maintain all information underlying affiliate transactions with the affiliated utility for a minimum of three years, or as required by law or regulation.
- SCE&G shall not engage in improper self-dealing with other Dominion affiliates where there are competitive alternatives, such as the sourcing of natural gas supplies and transportation and storage services; in such circumstances, SCE&G shall competitively source its services or products using a "least cost" standard. SCE&G shall be required to maintain records and shall have the burden to prove that transactions with a competitive affiliate were sourced competitively and at least cost.

Conditions Regarding Local Management, Headquarters, and Access to Books and Records

- Dominion Energy shall manage SCE&G from an operations standpoint as a separate regional business under Dominion Energy. SCE&G will retain local responsibility for making decisions that achieve the objectives of customer satisfaction, reliable service, customer, public, and employee safety, environmental stewardship, and collaborative and productive relationships with customers, regulators, other governmental entities, and interested stakeholders.
- Dominion Energy shall maintain SCE&G's headquarters in Cayce, South Carolina.

ORS SURREBUTTAL EXHIBIT LK-8**Page 7 of 9**

- The Commission will continue to exercise its regulatory authority over SCE&G in the same way it does today, thereby ensuring continued protection of the interests of South Carolina customers. In addition, officers and employees of Dominion Energy, including SCE&G local management, will continue to be accessible to regulators and lawmakers, including the Commission. As part of this and future regulatory proceedings, Dominion Energy and SCE&G will continue to provide information about Dominion Energy or its other subsidiaries relevant to matters within the Commission's jurisdiction to the Commission upon request of the Commission. In addition, Dominion and SCE&G management will ensure local access to books and records of SCE&G, including local access to the books and records of SCANA Services, Inc., and Dominion Energy Services, Inc., as well as any other affiliate that provides services to and charges SCE&G, without limitation to specific future "proceedings."

Conditions Regarding Local Employment

- Dominion Energy will commit to maintaining compensation levels for employees of SCANA and its subsidiaries, including SCE&G, following the closing of the merger until January 1, 2020. Further, Dominion Energy will give employees of SCANA and its subsidiaries, including SCE&G, due and fair consideration for other employment and promotion opportunities within the larger Dominion Energy organization, both inside and outside of South Carolina.
- Dominion Energy will seek to minimize the reductions in local employment by relocating some of the Dominion Services, Inc. shared and common services functions and activities to Cayce from Richmond.

Conditions Regarding Service Quality

- For SCE&G's electric operations, SCE&G shall provide quarterly SAIDI and SAIFI reporting the same as provided by Dominion shown on Exhibit RAB-12, page 1. The quarterly reporting to the Commission should begin no less than three (3) months after the close of the transaction.
- For SCE&G's electric operations, SCE&G shall provide quarterly Call Center Performance Metrics reporting the same as provided by Dominion on Exhibit RAB-12, page 2. The quarterly reporting to the Commission should begin no less than three (3) months after the close of the transaction.
- For SCE&G's electric operations, SCE&G shall provide a yearly plan for addressing the 5% worst performing feeders on the Company's system.
- For SCE&G's electric operations, SCE&G shall file a detailed report with the Commission identifying opportunities for improving the service quality to electric

ORS SURREBUTTAL EXHIBIT LK-8**Page 8 of 9**

customers on SCE&G's system within six (6) months after the close of the transaction.

- For SCE&G's gas operations, SCE&G shall file quarterly service quality reports with the same service quality metrics shown as provided by Dominion shown on Exhibit RAB-11. The quarterly reporting to the Commission should begin no less than six (6) months after the close of the transaction.
- For SCE&G's electric and gas operations, the Commission shall open a docket within two (2) years from the filing of the service quality improvement report to evaluate SCE&G's progress on service quality. ORS and other stakeholders may intervene in this docket. SCE&G shall be required to submit testimony to demonstrate its progress and experience with service quality for electric and gas operations since the close of the merger.

Conditions Regarding Credit Quality

- The ROE for SCE&G should be determined using a proxy group of investment grade regulated utilities. The Commission shall not allow Dominion Energy or SCE&G to pass through increases in the cost of equity due to adverse effects from the proposed acquisition or from any additional risk due to imprudent actions by SCANA and/or SCE&G.
- The Commission shall require that the cost of new long-term debt issued by or for SCE&G be set based on the lower of the prevailing cost of debt for an average investment grade regulated utility (rated BBB/Baa/A) or on SCE&G's actual cost of new long-term debt.

Additional Conditions Recommended by ORS

- Dominion Energy shall not make change to the organizational structure of SCE&G as a result of the Merger without prior authorization from the Commission. That organizational structure is presented in Exhibit 8 of the application. Dominion Energy commits that SCE&G will remain a direct, wholly-owned subsidiary of SCANA Corporation, will continue to exist as a separate legal entity following the merger, and that both electric and gas functions and activities will remain resident within SCE&G.
- Merger synergy savings shall be credited to SCE&G natural gas customers equivalent to the bill credit per customer agreed to by the Applicants and other parties for PSNC customers in the Merger proceeding before the North Carolina Public Utility Commission.

ORS SURREBUTTAL EXHIBIT LK-8

Page 9 of 9

- SCE&G customers shall receive equivalent or greater Merger benefits, other ratemaking benefits, and other commitments and conditions compared to those offered or ordered by the NCUC or other regulators.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
NOL ADIT
(\$ THOUSANDS)

ORS SURREBUTTAL EXHIBIT LK-9
Page 1 of 1

Source for Dom/SCE&G, resp to ORS 1-116 (Attachment tab DTA and DTL) as revised by SCE&G on 1.19.2018 for pre-merger taxable income in 2018.

Note: ORS did not use SCE&G 01.19.2018 revisions to remove excess ADIT from abandonment ADIT or NOL ADIT; ORS version below includes income tax effects at originating rates w/o disaggregating reg asset and reg liability for excess ADIT. Thus, ORS calculation of the CCR incl the full income tax effects rather than including them in income tax credit rider.

RECOVERY OF INVESTMENT FOR TAX PURPOSES (in thousands)	Dom/SCE&G Merger CBP (Resp to ORS 1-116)	Dom/SCE&G Merger CBP Corrected by ORS	Warren Merger CBP Calculation	Dom/SCE&G No Merger BP Corrected by ORS	ORS Recommend	ORS Securit
Tax basis on NND investment	\$ 5,400,000	\$ 5,400,000	\$ 5,400,000	\$ 5,400,000	\$ 2,865,680	\$ 2,865,680
Research & Experimentation (R&E) Tax Deduction Pre-2017 Tax Years						
Prior to 2017, SCE&G deducted \$1.3 billion as R&E tax deductions	(1,300,000)		(1,300,000)	(1,300,000)	(689,886)	(\$689,886)
Toshiba Offset						
The Toshiba guarantee monetization payment absorbed SCE&G's tax basis in the NND Project by \$1.1 billion	(1,095,230)	(1,095,230)	(1,095,230)	(1,095,230)	(\$1,095,230)	(\$1,095,230)
2017 Tax Deductions						
On its 2017 tax return, SCE&G plans to claim R&E deductions and an abandonment loss to recover its remaining tax basis of \$3 million. It would use approximately \$1.93 million of these deduction to offset its 2017 taxable income	(193,000)	(193,000)	(193,000)	(193,000)	(193,000)	(\$193,000)
Carryback of 2017 Net Operating Loss (NOL)						
The remainder of this deduction (\$2.8 billion) would be a NOL. SCE&G could carry back \$523 million of this NOL to its 2015 tax year	(522,876)	(522,876)	(522,876)	(522,876)	(522,876)	(\$522,876)
2018 Payment of Contractor Liens					85,230	
2018 One-Time Rate Refund			0			
2018 Sale of Right to Receive						(\$2,865,680)
2018 Utilization of 2017 Net Operating Loss Pre-Merger						
SCE&G will use the NOL carryforward to reduce its pre-merger taxable income. If, for example, SCE&G uses \$290 million of the NOL to offset pre-merger income, the NOL remaining at the merger would be approximately \$2 billion.	(290,000)	(290,000)	(290,000)	(290,000)	(290,000)	(\$290,000)
Estimated NOL at Dec 31, 2018	\$ 1,998,894	\$ 1,998,894	\$ 1,998,894	\$ 2,084,124	\$ 74,888	\$ -
Warren Calculation Based on Allowed NND Costs to Total NND Costs (\$3,241/\$4,731)						
Tax Rate - Bef 2018	38.25%	38.25%	38.25%	38.25%	38.25%	38.25%
Tax Rate - After 2017	38.25%	24.95%	24.95%	24.95%	24.95%	24.95%
Estimated DTA - Dec 31, 2017	\$ 875,502	\$ 875,502	\$ 875,502	\$ 875,502	\$ 139,493	\$ 139,493
Estimated DTA - Dec 31, 2018	\$ 764,577	\$ 803,147	\$ 803,147	\$ 824,412	\$ 67,138	\$ 48,504
Warren Calculation Based on Allowed NND Costs to Total NND Costs (\$3,241/\$4,731)	304,423	304,423	304,423	304,423	48,504	48,504
Excess DTA - Dec 31, 2017	\$ 3,327,000	\$ 3,327,000	\$ 3,327,000	\$ 3,327,000	\$ 38.25%	\$ 38.25%
Abandoned Rate Base	\$ 1,272,578	\$ 1,272,578	\$ 1,272,578	\$ 1,272,578		
Tax Rate						
Estimated DTL						